

COMSTOCK PARK PUBLIC SCHOOLS

Kent County, Michigan



Comprehensive Annual Financial Report

For the year ended
June 30, 2007

Hungerford, Aldrin,
Nichols & Carter, P.C.
CPAs and Consultants



**COMSTOCK PARK
PUBLIC SCHOOLS
Kent County, Michigan**

Comprehensive Annual Financial Report

For the year ended June 30, 2007

COMSTOCK PARK PUBLIC SCHOOLS
Table of Contents

For the year ended June 30, 2007

Financial Section

| | |
|--|-----------|
| <i>Independent Auditor's Report</i> | <i>1</i> |
| <i>Management's Discussion and Analysis</i> | <i>3</i> |
| <i>Basic Financial Statements</i> | <i>13</i> |
| District-wide Financial Statements: | |
| Statement of Net Assets..... | 14 |
| Statement of Activities | 15 |
| Fund Financial Statements: | |
| Governmental Funds: | |
| Balance Sheet | 16 |
| Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities | 17 |
| Statement of Revenues, Expenditures and Changes in Fund Balances | 18 |
| Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities | 19 |
| Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual – General Fund | 20 |
| Fiduciary Fund: | |
| Statement of Fiduciary Assets and Liabilities | 21 |
| Notes to Basic Financial Statements | 22 |
| <i>Supplemental Information</i> | |
| Combining and Individual Fund Statements and Schedules: | |
| General Fund | 39 |
| Comparative Balance Sheet | 40 |
| Comparative Schedule of Revenues | 41 |
| Comparative Schedule of Expenditures | 42 |

COMSTOCK PARK PUBLIC SCHOOLS

Table of Contents (Continued)

For the year ended June 30, 2007

| | |
|---|----|
| Nonmajor Governmental Funds | 47 |
| Combining Balance Sheet | 48 |
| Combining Schedule of Revenues, Expenditures and Changes in Fund Balances | 50 |
| Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual: | |
| Food Service Special Revenue Fund | 52 |
| Athletics Special Revenue Fund | 53 |
| Special Revenue Funds | 54 |
| Food Service Special Revenue Fund: | |
| Comparative Balance Sheet | 55 |
| Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances | 56 |
| Athletics Special Revenue Fund: | |
| Comparative Balance Sheet | 57 |
| Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances | 58 |
| Debt Service Funds | 59 |
| Combining Balance Sheet | 60 |
| Combining Schedule of Revenues, Expenditures and Changes in Fund Balances | 62 |
| Capital Projects Fund | 64 |
| Building and Site Capital Projects Fund: | |
| Comparative Balance Sheet | 65 |
| Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances | 66 |
| Agency Fund | 67 |
| Student Activities Agency Fund: | |
| Statement of Changes in Assets and Liabilities | 68 |
| Other Information: | |
| Summary of 2006 Taxes Levied and Collected | 70 |

Federal Financial Assistance Programs Supplemental Information Issued Under Separate Cover

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

November 9, 2007

The Board of Education
Comstock Park Public Schools

We have audited the accompanying financial statements of the governmental activities, the major fund and the aggregate remaining fund information of Comstock Park Public Schools (the "District") as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's elected officials and management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the major fund and the aggregate remaining fund information of Comstock Park Public Schools as of June 30, 2007, and the respective changes in financial position and budgetary comparison for the General Fund thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2007 on our consideration of Comstock Park Public Schools' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of Comstock Park Public Schools. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Hungerford, Aldrin, Nichols & Carter, P.C.

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS



COMSTOCK PARK PUBLIC SCHOOLS

Management's Discussion and Analysis

June 30, 2007

As management of the Comstock Park Public Schools ("the District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2007. We encourage readers to consider the information presented here in conjunction with the District's financial statements, which immediately follow this section.

Overview of the Financial Statements

This annual report consists of three parts: Management's Discussion and Analysis (this section), the Basic Financial Statements, and Supplemental Information. The Basic Financial Statements include two kinds of statements that present different views of the District:

- The first two statements, the Statement of Net Assets and the Statement of Activities, are *district-wide financial statements* that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.
 - ♦ *Governmental funds statements* tell how basic services such as regular and special education were financed in the short term as well as what remains for future spending.
 - ♦ *Fiduciary funds statements* provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The Basic Financial Statements also include Notes to Financial Statements that explain the information in the Basic Financial Statements and provide more detailed data. Supplemental Information follows and includes combining and individual fund statements.

District-wide Statements

The district-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two district-wide statements report the District's net assets, and how they have changed. Net assets - the difference between the District's assets and liabilities - is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the District's overall health, one should consider additional non-financial factors such as changes in the District's property tax-base and the condition of school buildings and other facilities.



COMSTOCK PARK PUBLIC SCHOOLS

Management's Discussion and Analysis
June 30, 2007

In the district-wide financial statements, the District's activities are presented as follows:

- *Governmental activities:* The District's basic services are included here, such as regular and special education, instructional support, transportation, administration, community services, food service and athletics. State aid and property taxes finance most of these activities.

Condensed District-Wide Financial Information

The Statement of Net Assets provides financial information on the District as a whole.

| | 2007 | 2006 |
|---|------------------------|------------------------|
| Assets | | |
| Current assets | \$ 4,494,200 | \$ 4,659,069 |
| Capital assets | 30,151,021 | 30,886,834 |
| Total Assets | 34,645,221 | 35,545,903 |
| Liabilities | | |
| Current liabilities | 4,240,266 | 3,935,493 |
| Long-term liabilities | 41,518,079 | 42,567,120 |
| Total Liabilities | 45,758,345 | 46,502,613 |
| Net Assets | | |
| Invested in capital assets, net of related debt | (11,622,421) | (11,849,701) |
| Restricted | (90,416) | (89,860) |
| Unrestricted | 599,713 | 982,851 |
| Total Net Assets | \$ (11,113,124) | \$ (10,956,710) |

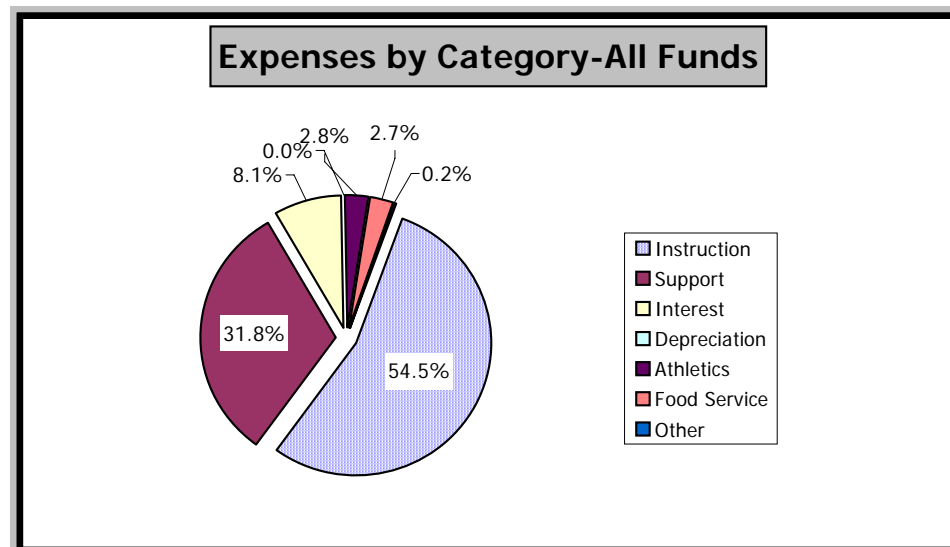


COMSTOCK PARK PUBLIC SCHOOLS

Management's Discussion and Analysis June 30, 2007

The Statement of Activities presents changes in net assets from operating results:

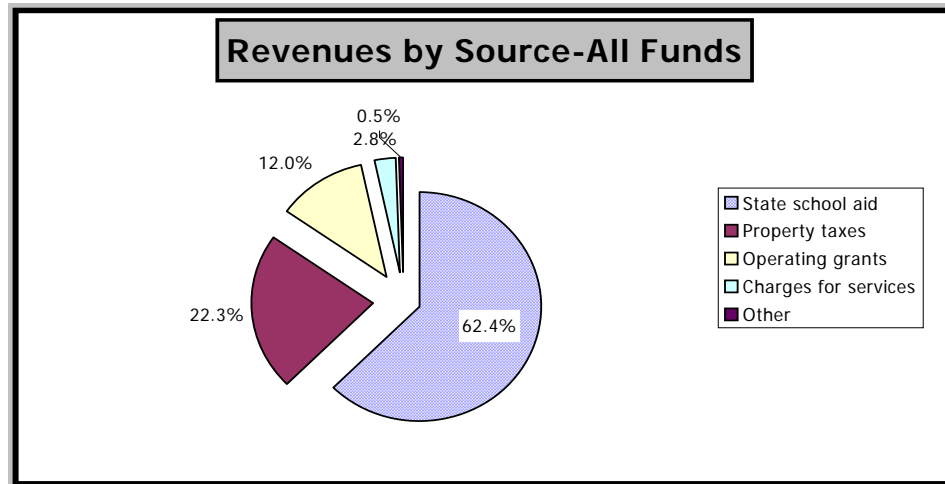
| | 2007 | 2006 |
|---------------------------------------|------------------------|------------------------|
| Program Revenues | | |
| Charges for services | \$ 626,860 | \$ 644,604 |
| Operating grants | 3,214,593 | 3,098,781 |
| General Revenues | | |
| Property taxes | 5,797,743 | 5,533,645 |
| State school aid, unrestricted | 15,358,315 | 14,434,490 |
| Interest earnings | 78,128 | 75,619 |
| Other | 136,170 | 202,857 |
| Total Revenues | 25,211,809 | 23,989,996 |
| Expenses | | |
| Instruction | 13,811,988 | 11,934,992 |
| Supporting services | 8,058,988 | 7,590,644 |
| Community services | 2,926 | 3,044 |
| Food service | 695,769 | 653,075 |
| Athletics | 700,345 | 661,816 |
| Other | 48,926 | 48,926 |
| Interest on long-term debt | 2,049,281 | 2,131,840 |
| Unallocated depreciation | — | 915,893 |
| Total Expenses | 25,368,223 | 23,940,230 |
| Increase (Decrease) in net assets | (156,414) | 49,766 |
| Net Assets - Beginning of Year | (10,956,710) | (11,006,476) |
| Net Assets – End of Year | \$ (11,113,124) | \$ (10,956,710) |





COMSTOCK PARK PUBLIC SCHOOLS

Management's Discussion and Analysis
June 30, 2007



Financial Analysis of the District as a Whole

The District's financial position is the product of many factors. Growth during the year in taxes and grants was a significant contributor to the revenue increases. Another factor was the mid-year budget reductions required by the decrease in state school aid funding.

The District's total revenues increased 5 percent to \$25.2 million. Property taxes and state aid accounted for most of the District's revenue, contributing about 84 cents of every dollar raised. Another 13 percent came from state and federal aid for specific programs and the remainder from fees charged for services and miscellaneous sources.

The total cost of all programs and services increased 6 percent to \$25.4 million. The District's expenses are predominantly related to staff salaries and benefits which amount to 84.7 percent of the total. The District's expenses related to instructing, caring for (pupil services) and transporting students are about 65 percent of total expenses. The District's administrative and business activities accounted for 9 percent of total costs. Operation and maintenance expenses accounted for 8 percent.

Total expenses exceeded revenues on the Statement of Activities by \$156,414 due to increased staffing based on enrollment growth and the limited increase in funding from the State.

- The cost of all governmental activities this year was \$25.4 million.
- Some of the cost was financed by the users of the District's programs (\$626,860).
- The federal and state governments subsidized certain programs with grants and contributions (\$3.2 million).
- Most of the District's costs (\$21.2 million), however, were financed by District and state taxpayers.
- This portion of governmental activities was financed with \$5.8 million in property taxes and \$15.4 million of unrestricted state aid based on the statewide education aid formula and investment earnings.



COMSTOCK PARK PUBLIC SCHOOLS

Management's Discussion and Analysis
June 30, 2007

- The District continues to work to reduce costs in many areas through collaboration with other districts, changing contracted vendors, utilization of governmental reimbursement programs where possible and shopping for the best pricing. The administration will push to increase these and other cost saving programs for the next fiscal year. It will be essential in the future that the District continue to try to reduce expenditures and maximize revenues.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

The District utilizes two kinds of funds:

- *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed, short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them.
- *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others, consisting of Student Activities Funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations.

Financial Analysis of the District's Funds

The District uses funds to record and analyze financial information. Comstock Park Public School's funds are described as follows:

Major Fund

General Fund

The General Fund is our primary operating fund. The General Fund had total revenues of \$20,915,775, total expenditures of \$20,862,996 and other financing uses of \$464,051. It ended the fiscal year with a fund balance of \$866,659, down from \$1,277,931 as of June 30, 2006.

Nonmajor Funds

Special Revenue Funds

The District operates two Special Revenue Funds, for the food service and athletics programs. Total revenues were \$892,947 and other financing sources were \$464,051, with total expenditures of \$1,336,613. The ending fund balances were \$32,214 for Food Service and \$1,048 for the Athletic Fund.



COMSTOCK PARK PUBLIC SCHOOLS

Management's Discussion and Analysis
June 30, 2007

Debt Service Funds

The District operates six Debt Service Funds. Total revenues were \$3,068,118 and other financing sources were \$2,272. Total expenditures were \$3,065,992, and other financing uses of \$2,272. Ending fund balances totaled \$95,931.

Capital Projects Fund

There is one Capital Projects Fund incorporated into the financial statements of the District. It is the Building and Site Fund which had revenues of \$375,581 and expenditures of \$375,891. The ending fund balance was \$13,066.

Fiduciary Funds

The Student Activity Fund is operated as an Agency Fund of the District. The assets of these funds are being held for the benefit of the District's students. Balances on hand at June 30, 2007 totaled \$185,035.

General Fund Budgetary Highlights

Over the course of the year, the District revised the annual operating budget three times. These budget amendments fall into two categories:

- Changes made to account for the final student enrollment that determines how much foundation grant state school aid will be received during the fiscal year.
- Final changes made in May for increases in appropriations to prevent budget overruns.

Although the District's final budget for the General Fund anticipated that revenues would exceed expenditures by \$178,493, the actual results for the year show an excess of expenditures over revenues of \$411,272.

- Actual revenues were \$310,165 less than expected, due to estimated revenues from contracted programs coming in lower than anticipated and tax revenues from Plainfield Township not meeting the budgeted levels.
- Actual expenditures were \$232,541 higher than budget, due primarily to additional staffing added to accommodate enrollment increases and legal costs associated with a prior year grievance settlement.

State of Michigan, Unrestricted Aid

The State of Michigan aid, unrestricted, is determined by the following variables:

- State of Michigan State Aid Act per student foundation allowance.
- Student Enrollment – blended at 80% of the current year fall count and 20% of the prior year winter count.
- The District's non-homestead property tax levy.



COMSTOCK PARK PUBLIC SCHOOLS

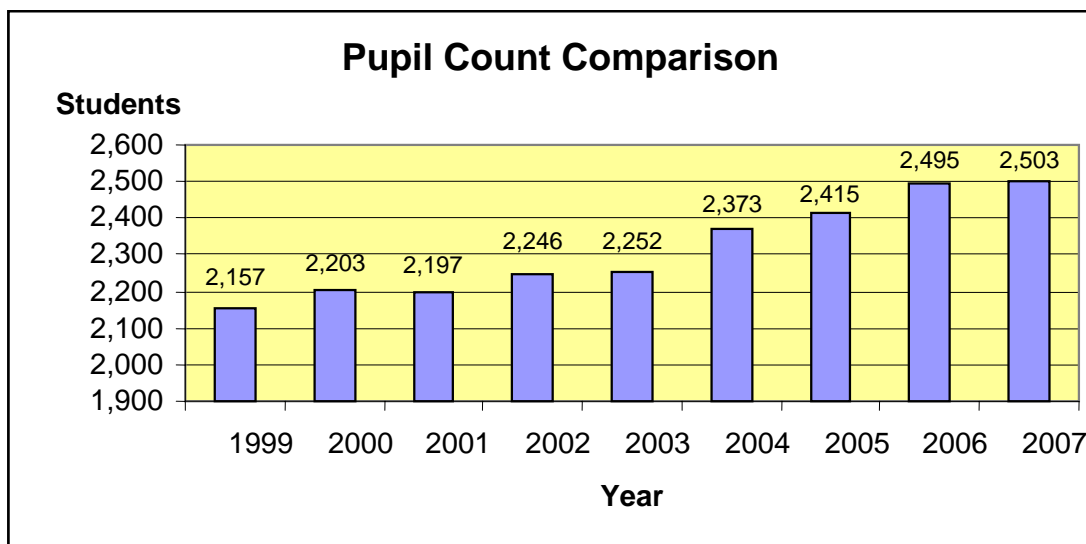
Management's Discussion and Analysis
June 30, 2007

Per Student Foundation Allowance:

- Annually, the State of Michigan sets the per student foundation allowance. The District's foundation allowance for 2006-07 was \$7,100 per student. The foundation allowance for 2007-08 is budgeted at \$7,100 which allows for no increase at this time.

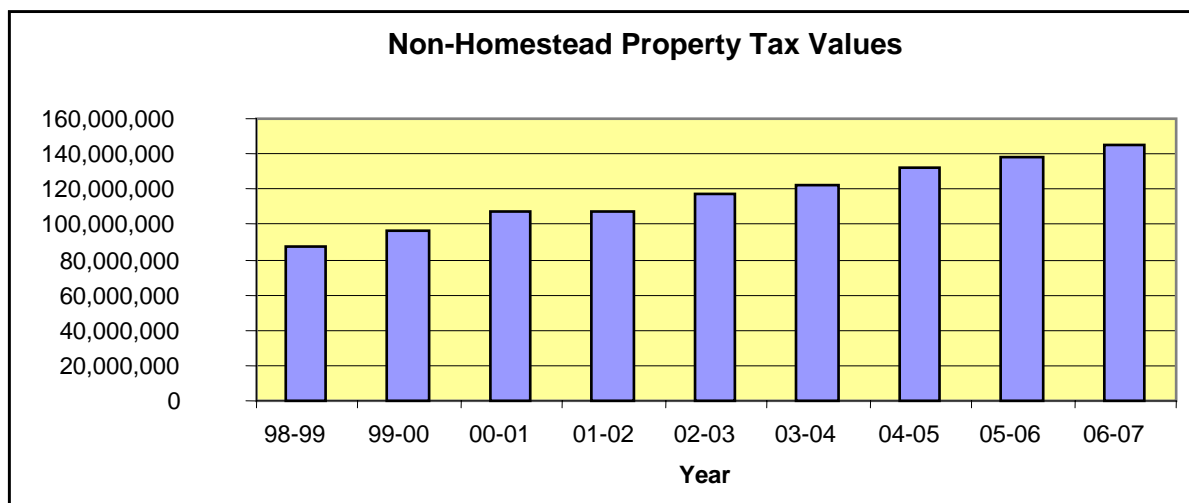
Student Enrollment:

The District's student enrollment for the fall count of 2006-07 was 2,487 students. The District's enrollments have gradually increased in the past five years with a flat or slight increase expected for 2007-08. The following summarizes fall student enrollments:



Non-homestead Levy:

The District levies 18 mills of property taxes for operations (General Fund) on non-homestead properties. Under Michigan law, the taxable levy is based on the taxable valuation of properties.





COMSTOCK PARK PUBLIC SCHOOLS

Management's Discussion and Analysis
June 30, 2007

Capital Asset and Debt Administration

Capital Assets

By the end of 2007, the District had a \$47.9 million investment in a broad range of capital assets, including land, school buildings, athletic facilities, furniture, computer equipment and software, and administrative offices.

The District's fiscal year 2008 budget projects spending over \$350,000 for capital projects. This extra money is mainly due to the additional funding from the Sinking Fund ballot proposal that was passed in May of 2005, enabling the District to complete additional projects.

At June 30, 2007, the District's investment in capital assets (net of accumulated depreciation), was \$30,151,021. Capital asset purchases totaled \$614,635 for the fiscal year with accumulated depreciation increasing \$1,350,448, leaving a net reduction in the book value of capital assets of \$735,813.

| | | |
|---------------------------|-----------|-------------------|
| Land | \$ | 640,410 |
| Land improvements | | 391,989 |
| Buildings | | 27,810,531 |
| Furniture and equipment | | 1,031,535 |
| Vehicles | | 276,556 |
| Net Capital Assets | \$ | 30,151,021 |

Long-Term Debt

At year end, the District had \$43.1 million in general obligation bonds and other long-term debt outstanding – a net decrease of \$1.04 million from last year.

- The District continued to pay down its debt, retiring \$1.57 million of outstanding bonds, loans and leases.

The District's bond rating for General Obligation, Unlimited Tax debt remains "Aaa". The District's other obligations include severance pay, early retirement incentive and accumulated sick leave. There is more detailed information about our long-term liabilities in the Notes to the Financial Statements.

Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of the following existing circumstances that could significantly affect its financial health in the future:

- A new three-year labor agreement was approved in June, 2007. The economic package contained in the new contract provides for a 2, 2.15 and 2.5 percent annual increase plus steps for support staff and certified staff. It also provides fully paid MESSA Choices II health insurance or the option of MESSA Super Care I health insurance with a staff co-pay equal to the difference of the package costs. An addition to the health insurance option for this contract is an increase in the employee co-pay to \$10 for generic and \$20 for brand name prescriptions.



COMSTOCK PARK PUBLIC SCHOOLS

**Management's Discussion and Analysis
June 30, 2007**

- Our elected officials and administration considered many factors when setting the School District's 2007-08 fiscal year budget. One of the most important factors affecting the budget is our student count. The State foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The 2007-08 fiscal year budget was adopted in June 2007, based on an estimate of students that will be enrolled in September 2007. Approximately 65 percent of total General Fund revenues is from the foundation allowance. Under State law, a school district cannot access additional property tax revenue for general operations. As a result, funding is heavily dependent on the State's ability to fund local school operations. Based on early enrollment data at the start of the 2007-08 school year, we anticipate that the fall student count will be over the estimates used in creating the 2007-08 fiscal year budget. Once the final student count and related pupil funding is validated, State law requires a school district to amend the budget if actual District resources are not sufficient to fund original appropriations.
- Since a school district's revenue is heavily dependent on State funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenues to fund its appropriation to school districts. The State periodically holds a revenue estimating conference to estimate revenues. Current estimates for the 2007-08 school year are an increase of \$48 in the foundation allowance and an additional \$48 increase based on the district's ranking in the overall foundation allowances.
- Due to the stagnant economy in the State of Michigan, the 2007-08 fiscal year budget was developed with the assumption that flat revenues may be received from the State. Staffing cuts were enacted in the District to achieve a balanced budget for 2007-08 despite rising costs.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, Comstock Park Public Schools, 101 School St. NE, Comstock Park, MI, 49321. Contact by e-mail: jkasul@cppschoools.com.

BASIC FINANCIAL STATEMENTS

COMSTOCK PARK PUBLIC SCHOOLS
Statement of Net Assets
June 30, 2007

| | <u>Governmental Activities</u> |
|---|------------------------------------|
| Assets | |
| Current Assets | |
| Cash equivalents, deposits and investments (Note B) | \$ 384,379 |
| Taxes receivable (Note C) | 134,476 |
| Accounts receivable | 1,298 |
| Due from other governmental units (Note C) | 2,985,160 |
| Inventory (Note A) | 5,344 |
| Unamortized bond issue costs | 983,543 |
| Total Current Assets | <u>4,494,200</u> |
| Noncurrent Assets | |
| Capital assets (Note E) | 47,870,017 |
| Less accumulated depreciation | (17,718,996) |
| Total Noncurrent Assets | <u>30,151,021</u> |
| Total Assets | <u>34,645,221</u> |
| Liabilities | |
| Current Liabilities | |
| Accounts payable | 474,222 |
| State aid anticipation loan payable (Note F) | 600,000 |
| Due to other governmental units | 275,661 |
| Accrued interest payable | 250,121 |
| Salaries payable | 1,011,455 |
| Current portion of long term obligations | 1,628,807 |
| Total Current Liabilities | <u>4,240,266</u> |
| Noncurrent Liabilities (Notes A, G) | |
| General obligation bonds payable | 30,295,000 |
| Durant nonplaintiff bonds payable | 217,087 |
| School bond loan payable | 12,243,852 |
| Capital leases payable | 1,038 |
| Severance pay | 31,200 |
| Early retirement incentive | 97,854 |
| Accumulated sick leave | 260,855 |
| Current portion of long term obligations | (1,628,807) |
| Total Noncurrent Liabilities | <u>41,518,079</u> |
| Total Liabilities | <u>45,758,345</u> |
| Net Assets | |
| Invested in capital assets, net of related debt | (11,622,421) |
| Restricted for: | |
| Capital outlay | 16,238 |
| Debt service | (106,654) |
| Unrestricted | 599,713 |
| Total Net Assets | <u><u>\$(11,113,124)</u></u> |

See accompanying notes to basic financial statements.

COMSTOCK PARK PUBLIC SCHOOLS
Statement of Activities
For the year ended June 30, 2007

| Functions/Programs | Expenses | Program Revenues Charges for Services | Operating Grants | Net (Expense) Revenue and Changes In Net Assets |
|---|----------------------|---|---------------------|--|
| Governmental Activities | | | | |
| Instruction | \$ 13,811,988 | \$ 104,170 | \$ 2,552,808 | \$(11,155,010) |
| Supporting services | 8,058,988 | 17,318 | 275,950 | (7,765,720) |
| Community services | 2,926 | - | - | (2,926) |
| Food service | 695,769 | 319,940 | 385,835 | 10,006 |
| Athletics | 700,345 | 185,432 | - | (514,913) |
| Other | 48,926 | - | - | (48,926) |
| Interest on long-term debt | 2,049,281 | - | - | (2,049,281) |
| Total Governmental Activities | \$ 25,368,223 | \$ 626,860 | \$ 3,214,593 | (21,526,770) |
| General Revenues | | | | |
| Taxes: | | | | |
| Property taxes, levied for general operations | | | | 2,416,956 |
| Property taxes, levied for debt service | | | | 3,010,620 |
| Property taxes, levied for building and site | | | | 370,167 |
| State school aid, unrestricted | | | | 15,358,315 |
| Interest and investment earnings | | | | 78,128 |
| Other | | | | 136,170 |
| Total General Revenues | | | | 21,370,356 |
| Change in Net Assets | | | | (156,414) |
| Net Assets - Beginning of Year | | | | (10,956,710) |
| Net Assets - End of Year | | | | <u>\$(11,113,124)</u> |

See accompanying notes to basic financial statements.

COMSTOCK PARK PUBLIC SCHOOLS
Balance Sheet
Governmental Funds
June 30, 2007

| | <u>General</u> | <u>Nonmajor</u> | <u>Total</u> |
|---|----------------------------|--------------------------|----------------------------|
| Assets | | | |
| Cash equivalents, deposits and investments (Note B) | \$ 260,062 | \$ 124,317 | \$ 384,379 |
| Taxes receivable (Note C) | 89,701 | 44,775 | 134,476 |
| Accounts receivable | 283 | 1,015 | 1,298 |
| Due from other funds (Note D) | 3,452 | 21,588 | 25,040 |
| Due from other governmental units (Note C) | 2,980,609 | 4,551 | 2,985,160 |
| Inventory (Note A) | - | 5,344 | 5,344 |
| Total Assets | <u><u>\$ 3,334,107</u></u> | <u><u>\$ 201,590</u></u> | <u><u>\$ 3,535,697</u></u> |
| Liabilities and Fund Balances | | | |
| Liabilities | | | |
| Accounts payable | \$ 474,222 | \$ - | \$ 474,222 |
| State aid loan payable (Note F) | 600,000 | - | 600,000 |
| Due to other funds (Note D) | 18,159 | 6,881 | 25,040 |
| Due to other governmental units | 267,986 | 7,675 | 275,661 |
| Accrued interest payable | 5,925 | - | 5,925 |
| Salaries payable | 1,011,455 | - | 1,011,455 |
| Deferred revenue | 89,701 | 44,775 | 134,476 |
| Total Liabilities | <u><u>2,467,448</u></u> | <u><u>59,331</u></u> | <u><u>2,526,779</u></u> |
| Fund Balances | | | |
| Reserved for: | | | |
| Capital outlay | - | 13,066 | 13,066 |
| Debt service | - | 95,931 | 95,931 |
| Unreserved: | | | |
| Undesignated, reported in: | | | |
| General fund | 866,659 | - | 866,659 |
| Special revenue funds | - | 33,262 | 33,262 |
| Total Fund Balances | <u><u>866,659</u></u> | <u><u>142,259</u></u> | <u><u>1,008,918</u></u> |
| Total Liabilities and Fund Balances | <u><u>\$ 3,334,107</u></u> | <u><u>\$ 201,590</u></u> | <u><u>\$ 3,535,697</u></u> |

See accompanying notes to basic financial statements.

COMSTOCK PARK PUBLIC SCHOOLS
Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
June 30, 2007

| | | |
|---|---------------------|-------------------------------|
| Total governmental fund balances | | \$ 1,008,918 |
| Amounts reported for governmental activities in the Statement of Net Assets are different because: | | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of assets is \$47,870,017 and accumulated depreciation is \$17,718,996. | | |
| | | 30,151,021 |
| Net bond premium and refunding and issuance costs are not expensed but are amortized over the life of the new bond issue. | | |
| | | 983,543 |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of: | | |
| General obligation bonds | \$(30,295,000) | |
| Durant non-plaintiff bonds | (217,087) | |
| State school bond loan | (12,243,852) | |
| Capital leases | (1,038) | |
| Severance pay | (31,200) | |
| Early retirement incentive | (97,854) | |
| Accumulated sick leave | (260,855) | |
| | <u>(43,146,886)</u> | |
| Accrued interest is not included as a liability in governmental funds. | | |
| | | (244,196) |
| Deferred revenue recognized as revenue in the full accrual statements: | | |
| Property taxes | | <u>134,476</u> |
| Total net assets - governmental activities | | <u><u>\$ (11,113,124)</u></u> |

See accompanying notes to basic financial statements.

COMSTOCK PARK PUBLIC SCHOOLS
Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2007

| | General | Nonmajor | Total |
|--|-------------------|-------------------|---------------------|
| Revenues | | | |
| Local sources | \$ 2,728,702 | \$ 3,950,811 | \$ 6,679,513 |
| State sources | 15,791,923 | 45,768 | 15,837,691 |
| Federal sources | 817,738 | 340,067 | 1,157,805 |
| Interdistrict sources | 1,577,412 | - | 1,577,412 |
| Total Revenues | <u>20,915,775</u> | <u>4,336,646</u> | <u>25,252,421</u> |
| Expenditures | | | |
| Current: | | | |
| Instruction | 12,861,349 | - | 12,861,349 |
| Supporting services | 7,998,721 | - | 7,998,721 |
| Community services | 2,926 | - | 2,926 |
| Food service | - | 686,885 | 686,885 |
| Athletics | - | 649,728 | 649,728 |
| Capital outlay | - | 375,891 | 375,891 |
| Debt service: | | | |
| Principal repayment | - | 1,566,200 | 1,566,200 |
| Interest and fiscal charges | - | 1,499,792 | 1,499,792 |
| Total Expenditures | <u>20,862,996</u> | <u>4,778,496</u> | <u>25,641,492</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>52,779</u> | <u>(441,850)</u> | <u>(389,071)</u> |
| Other Financing Sources (Uses) | | | |
| Transfers in | - | 466,323 | 466,323 |
| Transfers out | (464,051) | (2,272) | (466,323) |
| Total Other Financing Sources (Uses) | <u>(464,051)</u> | <u>464,051</u> | <u>-</u> |
| Net Change in Fund Balances | (411,272) | 22,201 | (389,071) |
| Fund Balances, Beginning of Year | <u>1,277,931</u> | <u>120,058</u> | <u>1,397,989</u> |
| Fund Balances, End of Year | <u>\$ 866,659</u> | <u>\$ 142,259</u> | <u>\$ 1,008,918</u> |

See accompanying notes to basic financial statements.

COMSTOCK PARK PUBLIC SCHOOLS
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the year ended June 30, 2007

Net change in fund balances - total governmental funds \$ (389,071)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of these assets is capitalized and the cost is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period:

| | | |
|----------------------|--------------------|-----------|
| Capital outlays | \$ 614,635 | |
| Depreciation expense | <u>(1,350,448)</u> | (735,813) |

As some delinquent personal property taxes will not be collected for several years after the District's fiscal year ends, they are not considered "available" revenues in the governmental funds, and are instead counted as deferred tax revenues. They are, however, recorded as revenues in the Statement of Activities. (40,612)

Net bond refunding costs are amortized over the life of the new bond issue in the Statement of Activities. (48,926)

Accrued settlement expenses are not included as an expenditure in governmental funds. 13,399

Proceeds from the sale of bonds or loans are an other financing source in the governmental funds, but increase long-term liabilities in the Statement of Net Assets. (558,296)

Repayment of principal on long-term debt is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets and does not affect the Statement of Activities:

| | | |
|---------------------------------------|--------------|-----------|
| Repayment of general obligation bonds | 1,566,200 | |
| Repayment of capital leases | <u>3,972</u> | 1,570,172 |

Interest on long-term liabilities in the Statement of Activities differs from the amount reported on the governmental funds because interest is recorded as an expenditure in the funds when it is due and paid, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues regardless of when it is paid. 8,805

In the Statement of Net Assets, early retirement incentive, accumulated vacation pay and compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures are measured by the amount of financial resources used (essentially, the amounts actually paid). This year the amount of these benefits earned (\$85,519) exceeded the amounts used/paid (\$109,447). 23,928

Total changes in net assets - governmental activities \$ (156,414)

See accompanying notes to basic financial statements.

COMSTOCK PARK PUBLIC SCHOOLS
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended June 30, 2007

| | Budgeted Amounts | | Actual | Variance With Final Budget - Positive (Negative) |
|---|----------------------------|----------------------------|--------------------------|---|
| | Original | Final | | |
| Revenues | | | | |
| Local sources | \$ 2,722,528 | \$ 2,945,513 | \$ 2,728,702 | \$ (216,811) |
| State sources | 15,582,998 | 15,792,078 | 15,791,923 | (155) |
| Federal sources | 840,820 | 851,231 | 817,738 | (33,493) |
| Interdistrict sources | 1,457,139 | 1,637,118 | 1,577,412 | (59,706) |
| Total Revenues | <u>20,603,485</u> | <u>21,225,940</u> | <u>20,915,775</u> | <u>(310,165)</u> |
| Expenditures | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Basic programs | 9,743,314 | 9,927,134 | 9,984,649 | (57,515) |
| Added needs | 2,421,889 | 2,594,092 | 2,876,700 | (282,608) |
| Supporting services: | | | | |
| Pupil services | 613,895 | 659,667 | 1,254,340 | (594,673) |
| Instructional staff services | 532,942 | 422,559 | 424,844 | (2,285) |
| General administrative services | 435,710 | 425,652 | 427,706 | (2,054) |
| School administrative services | 1,388,182 | 1,433,528 | 1,455,593 | (22,065) |
| Business services | 409,834 | 429,293 | 496,221 | (66,928) |
| Operation and maintenance services | 2,025,204 | 2,121,547 | 2,119,975 | 1,572 |
| Pupil transportation services | 1,003,196 | 1,057,179 | 1,391,080 | (333,901) |
| Central services | 406,800 | 409,560 | 428,962 | (19,402) |
| Community services | 7,200 | 4,000 | 2,926 | 1,074 |
| Interdistrict | 1,154,303 | 1,146,244 | - | 1,146,244 |
| Total Expenditures | <u>20,142,469</u> | <u>20,630,455</u> | <u>20,862,996</u> | <u>(232,541)</u> |
| Excess Of Revenues Over Expenditures | <u>461,016</u> | <u>595,485</u> | <u>52,779</u> | <u>(542,706)</u> |
| Other Financing Sources (Uses) | | | | |
| Transfers out | (420,884) | (416,992) | (464,051) | (47,059) |
| Net Change in Fund Balances | <u>40,132</u> | <u>178,493</u> | <u>(411,272)</u> | <u>(589,765)</u> |
| Fund balances, July 1 | <u>1,277,931</u> | <u>1,277,931</u> | <u>1,277,931</u> | <u>-</u> |
| Fund balances, June 30 | <u><u>\$ 1,318,063</u></u> | <u><u>\$ 1,456,424</u></u> | <u><u>\$ 866,659</u></u> | <u><u>\$ (589,765)</u></u> |

See accompanying notes to basic financial statements.

COMSTOCK PARK PUBLIC SCHOOLS
Fiduciary Fund
Statement of Fiduciary Assets and Liabilities
June 30, 2007

Assets

| | |
|---|-------------------|
| Cash equivalents, deposits and investments (Note B) | <u>\$ 185,035</u> |
|---|-------------------|

Liabilities

| | |
|-----------------------|-------------------|
| Due to student groups | <u>\$ 185,035</u> |
|-----------------------|-------------------|

See accompanying notes to basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

COMSTOCK PARK PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2007

Note A – Summary of Significant Accounting Policies

Comstock Park Public Schools was organized under the School Code of the State of Michigan and services a population of approximately 2,487 students. The District is governed by an elected Board of Education consisting of seven members and administered by a Superintendent who is appointed by the aforementioned Board. The District provides a comprehensive range of educational services as specified by state statute and Board of Education policy. These services include elementary education, secondary education, pre-school programs, athletic activities, special education, community services and general administrative services. The Board of Education also has broad financial responsibilities, including the approval of the annual budget and the establishment of a system of accounting and budgetary controls.

The financial statements of Comstock Park Public Schools (the “District”) have been prepared in conformity with accounting principles generally accepted in the United States of America as applicable to school districts. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The more significant of the District’s accounting policies are described below.

1. Reporting Entity

The financial reporting entity consists of a primary government and its component units. The District is a primary government because it is a special-purpose government that has a separately elected governing body, is legally separate and is fiscally independent of other state or local governments. Furthermore, there are no component units combined with the District for financial statement presentation purposes, and the District is not included in any other governmental reporting entity. Consequently, the District’s financial statements include the funds of those organizational entities for which its elected governing board is financially accountable.

2. District-Wide and Fund Financial Statements

District-Wide Financial Statements - The district-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) present financial information about the District as a whole. The reported information includes all of the nonfiduciary activities of the District. The District does not allocate indirect costs and, for the most part, the effect of interfund activity has been removed. These statements are to distinguish between the *governmental* and *business-type activities* of the District. *Governmental activities* normally are supported by taxes and intergovernmental revenues, and are reported separately from *business-type* activities, which rely to a significant extent on fees and charges for support. The District does not have any business-type activities.

The Statement of Net Assets is presented on the classified basis and is reported on the full accrual, economic resource basis, which recognizes all long-term assets as well as all long-term debt and obligations. The District’s net assets are reported in three parts: invested in capital assets, net of related debt; restricted net assets, and unrestricted net assets.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Property taxes, unrestricted state aid, interest earnings and other items not included among program revenues are reported instead as *general revenues*.

COMSTOCK PARK PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2007

Separate financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from the government wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. The General Fund is the District's only major fund. Non-major funds are aggregated and presented in a single column.

Fund Financial Statements – Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Fund level statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances. The Balance Sheet reports current assets, current liabilities and fund balances. The Statement of Revenues, Expenditures and Changes in Fund Balances reports on the sources and uses of current financial resources. This differs from the economic resources measurement focus used to report at the district-wide level. Reconciliations between the two sets of statements are provided in separate statements.

Revenues are recognized when susceptible to accrual; i.e., both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days after the end of the current fiscal period. Expenditures are generally recorded when the liability is incurred, if they are paid within 60 days after the end of the current fiscal period. The exception to this general rule is that principal and interest on long-term debt is recognized when due.

Revenues susceptible to accrual are property taxes, state aid, federal and interdistrict revenues and investment income. Other revenues are recognized when received. Deferred revenue arises when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. Deferred revenue also arises when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of the qualifying expenditures.

3. Measurement Focus, Basis of Accounting and Financial Statement Presentation

District-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as is the fiduciary fund financial statement. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met.

The State of Michigan utilizes a foundation allowance approach, which provides for a specific annual amount of revenue per student based on a state-wide formula. The foundation allowance is funded from a combination of state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The State portion of the foundation is provided from the State's School Aid Fund and is recognized as revenues in accordance with state law and accounting principles generally accepted in the United States of America.

Governmental Funds

Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use, and balances of a school district's expendable financial resources and the related current liabilities are accounted for through governmental funds.

COMSTOCK PARK PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2007

General Fund—The General Fund is the general operating fund of a school district. It is used to account for all financial resources, except those required to be accounted for in another fund. Included are all transactions related to the current operating budget.

Special Revenue Funds—Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes.

School Service Funds—School Service Funds are used to segregate, for administrative purposes, the transactions of a particular activity from regular revenue and expenditure accounts. A school district maintains full control of these funds. The School Service Funds maintained by the District are the Food Service and Athletics Funds.

Debt Service Funds—Debt Service Funds are used to account for the accumulation of resources for, and the payment of, long-term debt (bonds, notes, loans, leases and school bond loan) principal, interest, and related costs.

Capital Projects Funds—Capital Projects Funds are used to record bond proceeds, property tax revenues or other revenues and the disbursement of monies specifically designated for acquiring new school sites, buildings, equipment and for major remodeling and repairs. The funds are retained until the purpose for which the funds were created has been accomplished.

The Capital Projects Funds include capital project activities funded by a sinking fund millage. For these capital projects, the District has complied with the applicable provisions of Section 1212 (I) of the Revised School Code and the State of Michigan Department of Treasury Letter No. 01-95.

Fiduciary Funds

Fiduciary Funds are used to account for assets held by a school district in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. Fiduciary Fund net assets and results of operations are not included in the district-wide financial statements. Fiduciary funds are reported using the economic resources measurement focus.

Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District presently maintains a Student Activities Fund to record the transactions of student groups for school and school related purposes. The funds are segregated and held in trust for the students.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the district-wide and fiduciary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted as they are needed.

4. Budgets and Budgetary Accounting

State of Michigan Public Act 621 (the Uniform Budgetary and Accounting Act) requires that the General Fund of a school district be under budgetary control and that both budgeted and actual financial results do not incur a

COMSTOCK PARK PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2007

deficit. Comstock Park Public Schools has also adopted budgets for its Special Revenue Funds. A school district's General Appropriations Resolution (the "budget") must be adopted before the beginning of each fiscal year. No violations (dollar deviations) from a district's budget may occur without a corresponding amendment to the budget. A school district has the ability to amend the budget provided that the amendment is prior to the occurrence of the deviation and prior to the fiscal year-end. A school district may also permit the chief administrative or fiscal officer to execute transfers between line items, within defined dollar or percentage limits, without prior approval of the Board of Education. Expenditures may not legally exceed budgeted appropriations at the fund level. All appropriations lapse at the end of the fiscal year.

Comstock Park Public Schools utilizes the following procedures in establishing the budgetary data reflected in the financial statements:

- Starting in the spring, District administrative personnel and department heads work with the Superintendent and Business Manager to establish proposed operating budgets for the fiscal year commencing the following July 1.
- In June, preliminary operating budgets are submitted to the Board of Education. These budgets include proposed expenditures and the means of financing them.
- Prior to June 30, a public hearing is held to obtain taxpayer comments on the proposed budgets.
- After the budgets are finalized, the Board of Education adopts an appropriations resolution setting forth the amount of the proposed expenditures and the sources of revenue to finance them.
- The original General and Special Revenue Funds budgets were amended during the year in compliance with State of Michigan Public Act 621 (the Uniform Budgetary and Accounting Act).
- Budgets for the General and Special Revenue Funds were adopted on the modified accrual basis of accounting, which is consistent with generally accepted accounting principles.

5. Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budget integration in the governmental funds. There were no substantial encumbrances outstanding at year end.

6. Investments

Investments are recorded at fair value, based on quoted market prices, or estimated fair value. Investment income is composed of interest and net changes in the fair value of applicable investments.

7. Inventory

Inventories are valued at cost (first-in, first-out). Inventories of the Food Service Fund consist of food, unused commodities and other nonperishable supplies. Disbursements for inventory-type items are recorded as expenditures at the time of use for each fund.

COMSTOCK PARK PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2007

8. Capital Assets

Capital assets, which include land, land improvements, buildings, vehicles and furniture and equipment, are reported in the district-wide financial statements. Assets having a useful life in excess of one year and whose costs exceed \$5,000 are capitalized. Capital assets are stated at historical cost or estimated historical cost where actual cost information is not available. Donated capital assets are stated at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend an asset's useful life are not capitalized. Improvements are capitalized and depreciated over the remaining useful life of the related assets.

Land improvements, buildings and improvements, vehicles and furniture and equipment are depreciated using the straight-line method over the following estimated useful lives:

| | |
|----------------------------|-------------|
| Land improvements | 10-20 years |
| Buildings and improvements | 40-50 years |
| Furniture and equipment | 3-10 years |
| Vehicles | 5-10 years |

9. Long-Term Obligations

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the Statement of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported at the total amount of bonds issued.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

10. Early Retirement Incentive/Severance Pay/Accumulated Sick Leave and Vacation Pay

Early retirement incentive, severance pay, and accumulated sick leave and vacation pay at June 30, 2007 have been computed and recorded in the basic financial statements of the District. Eligible District employees who select early retirement are entitled to a termination leave payment based on their age and years of service. Employees who leave the District are also entitled to reimbursement for a portion of their unused sick days. At June 30, 2007, the accumulated liabilities, including salary related payments, (expected to be financed by General Fund revenues) for early retirement incentive, severance pay, and accumulated sick leave and vacation pay amounted to \$97,854, \$31,200 and \$260,855, respectively.

11. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for expenditures or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

COMSTOCK PARK PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2007

12. Interfund Activity

Flows of cash from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers between governmental funds are eliminated in the Statement of Activities. Interfund transfers in the fund financial statements are reported as other financing sources/uses.

13. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Note B – Cash Equivalents, Deposits and Investments

The State of Michigan allows a political subdivision to authorize its Treasurer or other chief fiscal officer to invest surplus funds belonging to and under the control of the entity as follows:

- Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State.
- Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution is a state or nationally chartered bank or a state or federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and that maintains a principal office or branch office located in this State under the laws of this State or the United States.
- Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of the purchase.
- Securities issued or guaranteed by agencies or instrumentalities of the United States government.
- United States government or Federal agency obligation repurchase agreements.
- Banker's acceptances issued by a bank that is a member of the Federal Deposit Insurance Corporation.
- Mutual funds composed entirely of investment vehicles which are legal for direct investment by a school district in Michigan.
- Investment pools, as authorized by the surplus funds investment pool act, Act No. 367 of the Public Acts of 1982, being sections 129.11 to 129.118 of the Michigan Compiled Laws, composed entirely of instruments that are legal for direct investment by a school district in Michigan.

Balances at June 30, 2007 related to cash equivalents, deposits and investments are detailed in the Basic Financial Statements as follows:

Statement of Net Assets:
Governmental activities

\$ 384,379

COMSTOCK PARK PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2007

Fiduciary Funds:
Agency Fund

185,035

\$ 569,414

Cash Equivalents

Depositories actively used by the District during the year are detailed as follows:

1. Huntington National Bank
2. Mercantile Bank

Cash equivalents consist of bank public funds checking and money market accounts.

June 30, 2007 balances are detailed as follows:

Cash equivalents

\$ 569,414

Custodial credit risk

Custodial credit risk is the risk that in the event of bank failure, the District's deposits may not be returned to the District. Protection of District cash equivalents is provided by the Federal Deposit Insurance Corporation. At year end, the carrying amount of the District's cash equivalents were \$569,414 and the bank balance was \$1,264,079. Of the bank balance, \$200,000 was covered by federal depository insurance and \$1,064,079 was uninsured.

Investments

As of June 30, 2007, the District had no surplus funds that are classified as investments under GASB Statement No. 40.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a failure of the counterparty, the District may not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District minimizes custodial credit risk by limiting investments to the types of securities allowed by law. Investments in U.S. Treasury securities and those other securities completely guaranteed by the Treasury as to payment of principal and interest may be purchased in any dollar amount or up to 100% of the available reserves.

Interest Rate Risk

The District minimizes interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market, and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

Concentration of Credit Risk

The District's investment policy places no restrictions on the amount or percentage that may be invested in any one type of security.

COMSTOCK PARK PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2007

Foreign Currency Risk

The District is not authorized to invest in investments which have this type of risk.

Note C – State School Aid/Property Taxes

On March 15, 1994, the voters of the State of Michigan approved Proposal A, which increased the State Sales and Use Tax rates from 4% to 6% and established a State Education Tax at a rate of 6 mills on all property, except that which is exempt by law from ad valorem property taxes, and dedicated the additional revenues generated to Michigan school districts. The amount of 2006 ad valorem State Education Taxes generated within the Comstock Park Public School District, and paid to the State of Michigan, totaled \$2,176,957.

These additional State revenues pass through to Michigan school districts in the form of a per pupil "Foundation Allowance" paid on a "blended count" of District pupil membership in February, 2006 and September, 2006. The 2006-07 "Foundation Allowance" for Comstock Park Public Schools was \$7,100 for 2,468 "Full Time Equivalent" students, generating \$15,820,142 in state aid payments to the District of which \$2,674,462 was paid to the District in July and August, 2007 and is included in "Due From Other Governmental Units" of the General Fund and Food Service Special Revenue Fund at June 30, 2007.

Property taxes for the District are levied July 1 by the Charter Townships of Alpine and Plainfield and the City of Walker. The taxes are then collected by each governmental unit and remitted to the District. The County of Kent, through its Delinquent Tax Revolving Fund, advances all delinquent real property taxes at March 1 to the District each year prior to June 30. Delinquent personal property taxes receivable are detailed as follows:

| Year | General | Debt Service | Capital Projects | Total |
|-------------|------------------|---------------------|-------------------------|-------------------|
| 2006 | \$ 8,051 | \$ 3,726 | \$ 456 | \$ 12,233 |
| 2005 | 46,071 | 22,204 | 2,716 | 70,991 |
| 2004 | 35,579 | 15,673 | — | 51,252 |
| | <u>\$ 89,701</u> | <u>\$ 41,603</u> | <u>\$ 3,172</u> | <u>\$ 134,476</u> |

Taxes uncollected after three years from the date of levy, unless material in amount, are written off on the books of the District.

Section 1211(1) of 1993 PA 32 states that beginning in 1994, the board of a school district shall levy not more than 18 mills, if approved by voters, for school operating purposes, or the number of mills levied in 1993, whichever is less, on non-homestead property only, in order to be eligible to receive funds under the State School Aid Act of 1979. After 1996, electors may approve a 3 mill "Local Enhancement Millage" which must be shared between all local districts in each respective county intermediate district.

As Comstock Park Public Schools electors had previously (June 10, 1996) approved an operating millage extension, the 18 mill non-homestead property tax was levied in the District for 2006.

The District levied 8.1621 mills in 2006 for debt service purposes and 1.0 mill for building and site purposes, applied on all taxable property in the District.

COMSTOCK PARK PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2007

Taxable property in the District is assessed initially at 50% of true cash value by the assessing officials of the various units of government that comprise the District. These valuations are then equalized by the county and finally by the State of Michigan, generating the State Equalized Valuation. Taxable valuation increases will be limited, or capped (known as capped valuation), at 5% or the rate of inflation, whichever is less. With the implementation of Proposal A, taxable property is now divided into two categories: homestead and non-homestead.

Homestead property is exempt from the 18 mill "School Operating" tax. It is not exempt from the 6 mill "State Education" tax, any voted "Local Enhancement Millage", nor any additional voted millage for the retirement of debt.

Non-homestead property is considered to be all property not qualifying for a homestead exemption, which includes all commercial and industrial property. Non-homestead property is subject to all District levies.

Note D – Interfund Receivables/Payables and Transfers

Amounts due from (to) other funds, representing corrections of the allocations of 2006 property tax receipts and year end expenditure reimbursements are detailed as follows:

| | <u>Due From</u> | <u>Due To</u> |
|-------------------------|-------------------------|-------------------------|
| General Fund: | | |
| Special Revenue Fund: | | |
| Food Service Fund | \$ 3,452 | \$ 10,055 |
| Debt Service Fund: | | |
| 2003 Debt Service Fund | — | 8,104 |
| | <u>3,452</u> | <u>18,159</u> |
| Special Revenue Fund: | | |
| Food Service Fund: | | |
| General Fund | 10,055 | 3,452 |
| Debt Service Funds: | | |
| 1996 Debt Service Fund: | | |
| 2003 Debt Service Fund | — | 2,272 |
| 2003 Debt Service Fund: | | |
| General Fund | 8,104 | — |
| 1996 Debt Service Fund | 2,272 | — |
| 2005 Debt Service Fund: | | |
| Building and Site Fund | — | 1,157 |
| | <u>10,376</u> | <u>3,429</u> |
| Capital Projects Fund: | | |
| Building and Site Fund: | | |
| 2005 Debt Service Fund | 1,157 | — |
| | <u>1,157</u> | <u>—</u> |
| Total All Funds | <u><u>\$ 25,040</u></u> | <u><u>\$ 25,040</u></u> |

Interfund transfers are detailed in the following schedule. The General Fund transfer was made to support the athletic program of the District and the Debt Service Fund transfer was made to close out the 1996 Debt Service Fund.

COMSTOCK PARK PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2007

| | <u>Transfers In</u> | <u>Transfers Out</u> |
|--------------------------|---------------------|----------------------|
| General Fund: | | |
| Special Revenue Fund: | | |
| Athletics Fund | \$ — | \$ 464,051 |
| Special Revenue Fund: | | |
| Athletics Fund: | | |
| General Fund | 464,051 | — |
| Debt Service Funds: | | |
| 1996 Debt Service Fund: | | |
| 2003 Debt Service Fund | — | 2,272 |
| 2003 Debt Service Fund: | | |
| 1996 Debt Service Fund | 2,272 | — |
| Total Debt Service Funds | <u>2,272</u> | <u>2,272</u> |
| Total All Funds | <u>\$ 466,323</u> | <u>\$ 466,323</u> |

Note E – Capital Assets

Capital asset activity for the year ended June 30, 2007 was as follows:

| | <u>Balances July 1, 2006</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balances June 30, 2007</u> |
|------------------------------------|----------------------------------|---------------------|-------------------|-----------------------------------|
| Capital assets not depreciated: | | | | |
| Land | \$ 640,410 | \$ — | \$ — | \$ 640,410 |
| Capital assets being depreciated: | | | | |
| Land improvements | 876,582 | 45,192 | 3,630 | 918,144 |
| Buildings and additions | 37,675,347 | 305,776 | — | 37,981,123 |
| Furniture and equipment | 7,433,322 | 151,514 | 609,233 | 6,975,603 |
| Vehicles | 1,288,500 | 112,153 | 45,916 | 1,354,737 |
| Totals at historical cost | <u>47,914,161</u> | <u>\$ 614,635</u> | <u>\$ 658,779</u> | <u>47,870,017</u> |
| Less accumulated depreciation for: | | | | |
| Land improvements | 483,315 | \$ 46,470 | \$ 3,630 | 526,155 |
| Buildings and additions | 9,283,871 | 886,721 | — | 10,170,592 |
| Furniture and equipment | 6,199,494 | 353,807 | 609,233 | 5,944,068 |
| Vehicles | 1,060,647 | 63,450 | 45,916 | 1,078,181 |
| Total accumulated depreciation | <u>17,027,327</u> | <u>\$ 1,350,448</u> | <u>\$ 658,779</u> | <u>17,718,996</u> |
| Net Capital Assets | <u>\$ 30,886,834</u> | | | <u>\$ 30,151,021</u> |

COMSTOCK PARK PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2007

Depreciation expense was charged to District activities as follows:

| | |
|--------------------------|---------------------|
| Governmental activities: | |
| Instruction | \$ 970,949 |
| Supporting services | 319,998 |
| Food service | 8,884 |
| Athletics | 50,617 |
| | <u>\$ 1,350,448</u> |

Note F – Short-term Debt

The \$500,000 March 22, 2006 state aid anticipation loan was repaid on October 24, 2006. On March 15, 2007, the District borrowed \$600,000 in anticipation of state aid (interest at 3.95%), due in full on October 23, 2007. Interest expense on the loans was \$14,352 for the fiscal year.

Note G – Long-term Debt

Amounts available and to be provided for outstanding long-term debt at June 30, 2007 are summarized as follows:

| | Bond Issues | State School Bond Loan | Capital Leases | Severance/Early Retirement Incentive/ Sick Leave | Total |
|--|------------------------|-----------------------------------|---------------------------|---|---------------------|
| Amounts Available For Retirement Of Long-Term Debt | | | | | |
| Debt Service Funds | \$ 95,931 | \$ — | \$ — | \$ — | \$ 95,931 |
| Amounts To Be Provided For Retirement Of Long-Term Debt | | | | | |
| State of Michigan | 217,087 | — | — | — | 217,087 |
| General Fund | — | — | 1,038 | 389,909 | 390,947 |
| Debt Service Funds | 30,199,069 | 12,243,852 | — | — | 42,442,921 |
| Total Amounts Available and To Be Provided | <u>\$30,512,087</u> | <u>\$ 12,243,852</u> | <u>\$ 1,038</u> | <u>\$ 389,909</u> | <u>\$43,146,886</u> |

COMSTOCK PARK PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2007

Changes in long-term debt for the year ended June 30, 2007 are summarized as follows:

| | Debt Outstanding July 1, 2006 | Debt Added | Debt Retired | Debt Outstanding June 30, 2007 |
|-----------------------------|--|-----------------------|-------------------------|---|
| General obligation bonds: | | | | |
| November 1, 1993 | \$ 3,145,000 | \$ — | \$ — | \$ 3,145,000 |
| November 1, 1999 | 785,000 | — | 255,000 | 530,000 |
| February 24, 2003 | 9,895,000 | — | 855,000 | 9,040,000 |
| February 24, 2005 | 17,955,000 | — | 375,000 | 17,580,000 |
| Durant non-plaintiff bonds: | | | | |
| November 13, 1998 | 217,087 | — | — | 217,087 |
| State school bond loan | 11,766,756 | 558,296 | 81,200 | 12,243,852 |
| Capital leases | 5,010 | — | 3,972 | 1,038 |
| Severance pay | 27,600 | 3,600 | — | 31,200 |
| Early retirement incentive | 150,813 | — | 52,959 | 97,854 |
| Accumulated sick leave | 235,424 | 81,919 | 56,488 | 260,855 |
| | \$ 44,182,690 | \$ 643,815 | \$ 1,679,619 | \$ 43,146,886 |

Long-term bonds and capital leases outstanding at June 30, 2007 are comprised of the following:

| | Final Maturity Dates | Interest Rates | Outstanding Balance | Amount Due Within One Year |
|--|-------------------------------------|---------------------------|--------------------------------|---|
| General Obligation Bonds | | | | |
| \$19,370M 1993 Building and Site: | | | | |
| Annual maturities of \$1,005M to \$1,100M | May 1, 2011 | 7.875 | \$ 3,145,000 | \$ — |
| \$10,725M 1999 Building and Site: | | | | |
| Annual maturities of \$255M to \$265M | May 1, 2009 | 5.45 | 530,000 | 265,000 |
| \$12,320M 2003 Refunding: | | | | |
| Annual maturities of \$350M to \$1,330M | May 1, 2023 | 3.00-5.25 | 9,040,000 | 880,000 |
| \$17,955M 2005 Refunding: | | | | |
| Annual maturities of \$375M to \$1,000M | May 1, 2029 | 3.125-5.00 | 17,580,000 | 375,000 |
| Durant Non-plaintiff Bonds | | | | |
| \$367,657 1998 School Improvement: | | | | |
| Annual maturities of \$20,461 to \$129,214 | May 15, 2013 | 4.761353 | 217,087 | — |
| Capital Leases | | | | |
| 2002 Equipment: | | | | |
| Annual maturity of \$1,038 | Sep. 26, 2007 | 7.209 | 1,038 | 1,038 |
| | | | \$30,513,125 | \$1,521,038 |

COMSTOCK PARK PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2007

The District is required to obtain loans from the Michigan School Bond Loan Fund (the “Fund”) for the payment of the annual maturities of its general obligation bonds. There is no fixed maturity schedule for the repayment of these loans. Instead, the principal and interest are payable when taxes levied for debt service are no longer needed to retire bonded debt. During the year, the District paid \$81,200 in principal to the Fund and \$558,296 of accrued interest was added to the District’s liability to the Fund. At June 30, 2007, the District owed the Fund a total of \$12,243,852.

The annual requirements to pay principal and interest on long-term bonds and capital leases outstanding are as follows:

| Year Ended June 30 | Principal | Interest | Total |
|-------------------------------|---------------------|---------------------|---------------------|
| 2008 | \$ 1,521,038 | \$ 1,453,979 | \$ 2,975,017 |
| 2009 | 1,650,461 | 1,406,763 | 3,057,224 |
| 2010 | 1,756,434 | 1,300,503 | 3,056,937 |
| 2011 | 1,862,455 | 1,194,996 | 3,057,451 |
| 2012 | 1,978,523 | 1,077,700 | 3,056,223 |
| 2013 | 2,159,214 | 1,041,462 | 3,200,676 |
| 2014 | 2,115,000 | 916,007 | 3,031,007 |
| 2015 | 2,200,000 | 827,358 | 3,027,358 |
| 2016 | 1,490,000 | 722,733 | 2,212,733 |
| 2017 | 1,365,000 | 651,908 | 2,016,908 |
| 2018 | 1,365,000 | 597,031 | 1,962,031 |
| 2019 | 1,360,000 | 540,787 | 1,900,787 |
| 2020 | 1,355,000 | 474,587 | 1,829,587 |
| 2021 | 1,355,000 | 407,725 | 1,762,725 |
| 2022 | 1,355,000 | 340,863 | 1,695,863 |
| 2023 | 1,350,000 | 273,999 | 1,623,999 |
| 2024 | 1,000,000 | 207,375 | 1,207,375 |
| 2025 | 1,000,000 | 157,375 | 1,157,375 |
| 2026 | 1,000,000 | 107,375 | 1,107,375 |
| 2027 | 425,000 | 57,375 | 482,375 |
| 2028 | 425,000 | 38,250 | 463,250 |
| 2029 | 425,000 | 19,124 | 444,124 |
| | <u>\$30,513,125</u> | <u>\$13,815,275</u> | <u>\$44,328,400</u> |

COMSTOCK PARK PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2007

Note H – Retirement Plan

Substantially all District employees participate in the Michigan Public School Employees' Retirement System (MPERS), a statewide, cost sharing, multiple employer defined benefit public employee retirement system governed by the State of Michigan. The District's payroll for employees covered by MPERS for the year ended June 30, 2007 was \$11,274,545. A Basic Plan member may retire at age 55 with 30 or more years of credited service or at age 60 with 10 or more years of credited service. The annual retirement benefit, payable monthly for life, is equal to 1½ percent of a member's final average compensation multiplied by his/her number of years of credited service. Final average compensation is the employee's average salary over the last 5 years of credited service. Vested employees may retire at or after age 55 with 15 years of service and receive reduced retirement benefits.

School districts in the State of Michigan are required to contribute at a rate, annually determined by the State of Michigan, of covered employees' compensation to the MPERS plan. The contribution rate was 16.34% for the fiscal year ending September 30, 2006 and 17.74% for the fiscal year beginning October 1, 2006. The District's contributions to the plan for the fiscal years ended June 30, 2007, 2006 and 2005 were \$1,985,231, \$1,718,257, and \$1,464,402, respectively.

The "actuarial accrued liability" is a standardized disclosure method of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the MPERS' funding status on a going concern basis, assess progress made in accumulating sufficient assets to pay benefits when due and make comparisons among public employee retirement systems and employers.

The MPERS does not make separate measurements of assets and actuarial accrued liability for individual schools. The actuarial accrued liability at September 30, 2005 (the latest reporting date available expressed as \$ in millions) for the MPERS as a whole, determined through an actuarial valuation performed as of that date, was \$48,206. The MPERS' net assets available for benefits on that date were \$38,211 leaving an unfunded pension benefit obligation of \$9,995. Ten year historical trend information showing the MPERS' progress in accumulating sufficient assets to pay benefits when due is presented in the September 30, 2006 Annual Report of the MPERS, which may be obtained by contacting the System at P.O. Box 30171, Lansing, Michigan 48909-7671.

The total actuarial accrued liability (expressed as \$ in millions) increased by \$2,462 from September 30, 2004 to September 30, 2005. Not included in the pension benefit obligation above is any future obligation attributable to health, dental and vision insurance benefits which are funded on a cash disbursement basis. With the passage of Act 279 of 1996, making permanent the cash basis financing of health, dental and vision benefits, actuarially calculated liabilities for these benefits are no longer disclosed on the balance sheets.

Prior to January 1, 1990, participating employees could elect coverage under either the noncontributory Basic Plan or the contributory Member Investment Plan (MIP). Effective January 1, 1990, all new employees are automatically enrolled in MIP. Participants in MIP, who receive benefits in addition to those available under the Basic Plan, contribute a percentage of salary. The graduated contribution rate is based on total wages and is calculated at 3% of the first \$5,000; 3.6% of the next \$10,000; and 4.3% of all wages over \$15,000. MIP members may retire at any age with 30 years of service, or at age 60 with 5 years of service, with benefits based on a final average compensation period of 5 years for members of the Basic Retirement Plan and 3 years for members of the MIP Retirement Plan.

COMSTOCK PARK PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2007

Post-employment benefits for health, dental, and vision insurance are available at retirement through the MPSERS. Retirees contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental and vision coverage. Required contributions for post-employment health care benefits are included as part of the District's total contribution to the MPSERS as discussed above.

Note I – Risk Management and Benefits

The District is a member of the West Michigan Risk Management Trust, a self-insurance program with districts pooling together to insure property, liability and auto exposure. Premiums from members of the Trust are determined through standard underwriting procedures. The members of the Trust have contributed amounts sufficient to fund individual and aggregate losses up to \$175,000 and \$865,000, respectively, on an annual basis. Excess insurance has been purchased to cover claims exceeding those amounts. A \$1,000 per occurrence deductible for property losses is maintained. The District paid \$70,863 in premiums to the Trust for the year ended June 30, 2007.

The District is also a member of the West Michigan Workers' Compensation Fund, a self-insurance program with districts pooling together to insure workers' compensation and employers' liability exposures. The Fund pays the first \$300,000 of any workers' compensation or employers' liability loss out of a \$1,833,000 loss fund collected from members. Excess insurance has been purchased to cover claims exceeding those amounts. As of June 30, 2007, there were no material pending claims against the District. The District paid \$63,336 in premiums to the Fund for the year ended June 30, 2007.

Health, life and other employee insurance is provided by private insurance carriers. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note J – Stewardship, Compliance and Accountability

The following District funds had actual expenditures and transfers out exceed final budgeted expenditures for the year ended June 30, 2007, as follows:

| | Budget | Actual | Unfavorable Variance |
|------------------------------|---------------|---------------|-----------------------------|
| General Fund | \$ 21,047,447 | \$ 21,327,047 | \$ 279,600 |
| Special Revenue Funds | | | |
| Athletics | 607,951 | 649,728 | 41,777 |
| Food Service | 610,293 | 686,885 | 76,592 |

SUPPLEMENTAL INFORMATION

GENERAL FUND

To account for resources which are traditionally associated with the general operation of the District and not required to be accounted for in another fund.

COMSTOCK PARK PUBLIC SCHOOLS
General Fund
Comparative Balance Sheet
June 30, 2007 and 2006

| | <u>2007</u> | <u>2006</u> |
|--|----------------------------|----------------------------|
| Assets | | |
| Cash equivalents, deposits and investments | \$ 260,062 | \$ 183,113 |
| Receivables: | | |
| Taxes | 89,701 | 119,279 |
| Accounts | 283 | - |
| Due from other funds | 3,452 | - |
| Due from other governmental units | <u>2,980,609</u> | <u>3,082,728</u> |
| Total Assets | <u><u>\$ 3,334,107</u></u> | <u><u>\$ 3,385,120</u></u> |
| Liabilities and Fund Balances | | |
| Liabilities | | |
| Accounts payable | \$ 474,222 | \$ 217,391 |
| State aid loan payable | 600,000 | 500,000 |
| Due to other funds | 18,159 | 14,958 |
| Due to other governmental units | 267,986 | 310,024 |
| Accrued interest payable | 5,925 | 5,775 |
| Salaries payable | 1,011,455 | 936,637 |
| Deferred revenue | <u>89,701</u> | <u>122,404</u> |
| Total Liabilities | <u>2,467,448</u> | <u>2,107,189</u> |
| Fund Balances | | |
| Unreserved: | | |
| Undesignated | <u>866,659</u> | <u>1,277,931</u> |
| Total Liabilities and Fund Balances | <u><u>\$ 3,334,107</u></u> | <u><u>\$ 3,385,120</u></u> |

COMSTOCK PARK PUBLIC SCHOOLS
General Fund
Comparative Schedule of Revenues
For the years ended June 30, 2007 and 2006

| | 2007 | 2006 |
|---|-----------------------------|-----------------------------|
| Local sources: | | |
| Property taxes: | | |
| Current property taxes | \$ 2,428,682 | \$ 2,294,521 |
| Delinquent property taxes | 7,390 | 24,945 |
| Other property taxes | 2,412 | 2,443 |
| Interest on delinquent taxes | 8,050 | 7,122 |
| | <u>2,446,534</u> | <u>2,329,031</u> |
| Interest earnings: | | |
| Interest on deposits | 24,510 | 26,327 |
| Other local revenue: | | |
| Tuition | 785 | 3,821 |
| Preschool fees | 103,385 | 92,339 |
| Transportation fees | 9,201 | 11,134 |
| Sale of school property | 1,422 | 3,502 |
| Rental of school facilities | 18,470 | 19,103 |
| Donations | 14,804 | 36,288 |
| Beverage consortium commissions | 64,527 | 61,168 |
| Reimbursements for services | 8,117 | 11,527 |
| Refunds of prior year expenditures | 22,485 | 69,694 |
| Miscellaneous | 14,462 | 13,102 |
| | <u>257,658</u> | <u>321,678</u> |
| Total local sources | 2,728,702 | 2,677,036 |
| State sources: | | |
| State aid | 15,791,923 | 14,759,260 |
| School improvement | - | 1,957 |
| | <u>15,791,923</u> | <u>14,761,217</u> |
| Federal sources: | | |
| Title I | 258,650 | 257,082 |
| Title IIA | 65,349 | 72,034 |
| Title IID | 2,484 | 6,046 |
| Title V | 493 | 978 |
| I.D.E.A. program | 481,117 | 514,246 |
| Drug free schools | 5,751 | 6,945 |
| Medicaid - school based | 2,139 | 3,907 |
| SPSR grant | - | 2,815 |
| Other | 1,755 | - |
| | <u>817,738</u> | <u>864,053</u> |
| Total federal sources | 817,738 | 864,053 |
| Interdistrict sources: | | |
| Special education - county | 1,177,185 | 1,042,445 |
| Special education - tuition | - | 22,439 |
| Special education - transportation | 249,581 | 334,047 |
| Special education - itinerant reimbursement | 26,369 | 42,080 |
| Durant settlement reimbursements | 10,456 | 24,300 |
| Medicaid fee for service | 113,821 | 98,753 |
| | <u>1,577,412</u> | <u>1,564,064</u> |
| Total interdistrict sources | 1,577,412 | 1,564,064 |
| Total Revenues | <u><u>\$ 20,915,775</u></u> | <u><u>\$ 19,866,370</u></u> |

COMSTOCK PARK PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2007 and 2006

| | 2007 | 2006 |
|------------------------------------|------------------|------------------|
| Current: | | |
| Instruction: | | |
| Basic programs: | | |
| Elementary: | | |
| Salaries | \$ 2,836,287 | \$ 2,712,832 |
| Employee benefits | 1,517,332 | 1,355,585 |
| Purchased services | 66,281 | 6,514 |
| Supplies | 117,603 | 91,212 |
| New equipment and furniture | 55,973 | 18,949 |
| Miscellaneous | 625 | 625 |
| | <u>4,594,101</u> | <u>4,185,717</u> |
| Middle school: | | |
| Salaries | 1,283,502 | 1,215,982 |
| Employee benefits | 679,931 | 644,070 |
| Purchased services | 43,436 | 3,543 |
| Supplies | 32,404 | 65,297 |
| New equipment and furniture | 45,788 | 10,717 |
| Miscellaneous | 2,232 | 140 |
| | <u>2,087,293</u> | <u>1,939,749</u> |
| High school: | | |
| Salaries | 1,836,371 | 1,786,906 |
| Employee benefits | 948,756 | 892,119 |
| Purchased services | 58,846 | 12,092 |
| Supplies | 164,693 | 95,957 |
| New equipment and furniture | 119,964 | 66,380 |
| Miscellaneous | 5,262 | 2,403 |
| | <u>3,133,892</u> | <u>2,855,857</u> |
| Preschool: | | |
| Salaries | 121,729 | 97,396 |
| Employee benefits | 40,050 | 31,085 |
| Purchased services | 2,193 | 767 |
| Supplies | 5,306 | 14,274 |
| Miscellaneous | 85 | 274 |
| | <u>169,363</u> | <u>143,796</u> |
| Total basic programs | <u>9,984,649</u> | <u>9,125,119</u> |
| Added needs: | | |
| Special education: | | |
| Salaries | 1,349,349 | 1,231,980 |
| Employee benefits | 740,022 | 666,452 |
| Purchased services | 25,566 | 111 |
| Supplies | 8,166 | 5,439 |
| Miscellaneous | 282 | 960 |
| Payments to other school districts | 173,354 | - |
| | <u>2,296,739</u> | <u>1,904,942</u> |
| Compensatory education: | | |
| Salaries | 325,113 | 220,970 |
| Employee benefits | 170,308 | 122,275 |
| Purchased services | 7,273 | 9,611 |
| Supplies | 25,485 | 71,068 |

(Continued)

COMSTOCK PARK PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2007 and 2006

| | 2007 | 2006 |
|-------------------------------------|-----------|-----------|
| Compensatory education: (Continued) | | |
| New equipment and furniture | \$ 24,423 | \$ 9,537 |
| Miscellaneous | 25,418 | 2,368 |
| | 578,020 | 435,829 |
| Vocational education: | | |
| Supplies | 1,941 | 2,119 |
| Total added needs | 2,876,700 | 2,342,890 |
| Supporting services: | | |
| Pupil services: | | |
| Guidance services: | | |
| Salaries | 423,723 | 355,970 |
| Employee benefits | 210,252 | 153,855 |
| Purchased services | 7,088 | 7,628 |
| Supplies | 537 | 527 |
| Miscellaneous | 386 | - |
| | 641,986 | 517,980 |
| Health services: | | |
| Salaries | - | 3,784 |
| Employee benefits | - | 901 |
| Purchased services | 48,166 | 33,969 |
| Supplies | 4,065 | 384 |
| Payments to other school districts | 31,916 | - |
| | 84,147 | 39,038 |
| Psychological services: | | |
| Salaries | 1,072 | - |
| Employee benefits | 321 | - |
| Purchased services | 251 | 137 |
| Supplies | 940 | 2,922 |
| Miscellaneous | 1,109 | - |
| Payments to other school districts | 58,144 | - |
| | 61,837 | 3,059 |
| Speech pathology services: | | |
| Salaries | - | 4,320 |
| Employee benefits | - | 1,051 |
| Purchased services | 1,732 | 851 |
| Supplies | 762 | 1,648 |
| Payments to other school districts | 186,836 | - |
| | 189,330 | 7,870 |
| Social worker services: | | |
| Salaries | 11,948 | 11,342 |
| Employee benefits | 6,973 | 5,299 |
| Purchased services | 656 | 543 |
| Supplies | 50 | 670 |
| Payments to other school districts | 150,751 | - |
| | 170,378 | 17,854 |
| Teacher consultants: | | |
| Purchased services | 394 | 381 |
| Supplies | 145 | 887 |
| Payments to other school districts | 82,843 | - |
| | 83,382 | 1,268 |

(Continued)

COMSTOCK PARK PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2007 and 2006

| | 2007 | 2006 |
|---------------------------------------|----------------|----------------|
| Other pupil services: | | |
| Salaries | \$ 16,469 | \$ 7,550 |
| Employee benefits | 4,770 | 1,838 |
| Purchased services | 2,041 | - |
| | <u>23,280</u> | <u>9,388</u> |
| Total pupil services | 1,254,340 | 596,457 |
| Instructional staff services: | | |
| Professional staff development: | | |
| Salaries | 47,056 | 142,299 |
| Employee benefits | 16,944 | 53,289 |
| Purchased services | 33,824 | 30,118 |
| Supplies | 1,791 | 4,772 |
| New equipment and furniture | - | 3,112 |
| Miscellaneous | 4,673 | 4,171 |
| Payments to other districts | 9,498 | - |
| | <u>113,786</u> | <u>237,761</u> |
| Library: | | |
| Salaries | 69,863 | 69,412 |
| Employee benefits | 32,716 | 31,002 |
| Purchased services | 7,989 | 12,597 |
| Supplies | 13,340 | 11,775 |
| | <u>123,908</u> | <u>124,786</u> |
| Supervision/direction of instruction: | | |
| Salaries | 122,275 | 171,913 |
| Employee benefits | 55,004 | 76,182 |
| Purchased services | 3,546 | 3,941 |
| Supplies | 6,245 | 2,441 |
| Miscellaneous | 80 | 80 |
| | <u>187,150</u> | <u>254,557</u> |
| Total instructional staff services | 424,844 | 617,104 |
| General administrative services: | | |
| Board of education: | | |
| Salaries | 2,623 | 500 |
| Employee benefits | 649 | 122 |
| Purchased services | 90,469 | 104,525 |
| Supplies | 4,549 | 3,015 |
| New equipment and furniture | - | 4,958 |
| Miscellaneous | 12,585 | 22,720 |
| | <u>110,875</u> | <u>135,840</u> |
| Executive administration: | | |
| Salaries | 182,203 | 176,378 |
| Employee benefits | 110,234 | 98,676 |
| Purchased services | 16,488 | 12,948 |
| Supplies | 3,770 | 4,935 |
| New equipment and furniture | 1,605 | 6,436 |
| Miscellaneous | 2,531 | 1,707 |
| | <u>316,831</u> | <u>301,080</u> |
| Total general administrative services | 427,706 | 436,920 |

(Continued)

COMSTOCK PARK PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2007 and 2006

| | 2007 | 2006 |
|--|------------|------------|
| School administrative services: | | |
| Office of the principal: | | |
| Salaries | \$ 960,293 | \$ 883,921 |
| Employee benefits | 458,136 | 409,801 |
| Purchased services | 24,087 | 19,028 |
| Supplies | 6,050 | 2,693 |
| Miscellaneous | 2,916 | 4,385 |
| Payments to other districts | 4,111 | - |
| Total school administrative services | 1,455,593 | 1,319,828 |
| Business services: | | |
| Fiscal services: | | |
| Salaries | 173,326 | 148,206 |
| Employee benefits | 84,495 | 72,023 |
| Purchased services | 32,411 | 19,955 |
| Supplies | 9,351 | 7,319 |
| New equipment and furniture | 20,511 | 17,197 |
| Miscellaneous | 2,509 | 3,168 |
| | 322,603 | 267,868 |
| Internal services: | | |
| Salaries | 20,999 | 20,250 |
| Employee benefits | 19,875 | 19,036 |
| Purchased services | 38,480 | 33,544 |
| Supplies | 5,073 | 5,604 |
| | 84,427 | 78,434 |
| Other business services: | | |
| Employee benefits | - | 10,850 |
| Purchased services | 30,113 | 19,572 |
| Miscellaneous | 59,078 | 44,037 |
| | 89,191 | 74,459 |
| Total business services | 496,221 | 420,761 |
| Operation and maintenance services: | | |
| Operation and maintenance: | | |
| Salaries | 563,394 | 560,401 |
| Employee benefits | 372,020 | 339,386 |
| Purchased services | 527,168 | 464,976 |
| Supplies | 544,631 | 478,681 |
| New equipment and furniture | 108,594 | 129,176 |
| Miscellaneous | 4,168 | 855 |
| Total operation and maintenance services | 2,119,975 | 1,973,475 |
| Pupil transportation services: | | |
| Pupil transportation: | | |
| Salaries | 469,395 | 424,214 |
| Employee benefits | 319,245 | 292,391 |
| Purchased services | 41,478 | 52,590 |
| Supplies | 119,922 | 125,522 |

(Continued)

COMSTOCK PARK PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2007 and 2006

| | 2007 | 2006 |
|--|----------------------|----------------------|
| Pupil transportation services: (Continued) | | |
| New equipment and furniture | \$ 87,699 | \$ 94,260 |
| Miscellaneous | 673 | 383 |
| Payments to other school districts | 352,668 | - |
| Total pupil transportation services | 1,391,080 | 989,360 |
| Central services: | | |
| Staff/personnel services: | | |
| Purchased services | 8,588 | 8,302 |
| Miscellaneous | 875 | - |
| | 9,463 | 8,302 |
| Technology services: | | |
| Salaries | 42,621 | 399 |
| Employee benefits | 16,188 | 567 |
| Purchased services | 214,082 | 203,394 |
| Supplies | 106,806 | 219 |
| New equipment and furniture | 39,618 | 154,038 |
| Miscellaneous | 184 | - |
| | 419,499 | 358,617 |
| Total central services | 428,962 | 366,919 |
| Community services: | | |
| Community recreation: | | |
| Salaries | 1,177 | 2,016 |
| Employee benefits | 302 | 486 |
| Purchased services | 500 | 500 |
| Supplies | 799 | 42 |
| Miscellaneous | 148 | - |
| Total community services | 2,926 | 3,044 |
| Interdistrict: | | |
| Special education - tuition | - | 302,951 |
| Special education - transportation | - | 341,310 |
| Special education - itinerants | - | 581,584 |
| Total interdistrict | - | 1,225,845 |
| Total Expenditures | \$ 20,862,996 | \$ 19,417,722 |

NONMAJOR FUNDS

COMSTOCK PARK PUBLIC SCHOOLS
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2007

| | Special Revenue | | |
|--|------------------|-----------------|------------------|
| | Food Service | Athletics | 1993 |
| Assets | | | |
| Cash equivalents, deposits and investments | \$ 23,391 | \$ 33 | \$ 13,837 |
| Taxes receivable | - | - | 3,469 |
| Accounts receivable | - | 1,015 | - |
| Due from other funds | 10,055 | - | - |
| Due from other governmental units | 4,551 | - | - |
| Inventory | 5,344 | - | - |
| Total Assets | \$ 43,341 | \$ 1,048 | \$ 17,306 |
| Liabilities and Fund Equity | | | |
| Liabilities | | | |
| Due to other funds | \$ 3,452 | \$ - | \$ - |
| Due to other governmental units | 7,675 | - | - |
| Deferred revenue | - | - | 3,469 |
| Total Liabilities | 11,127 | - | 3,469 |
| Fund Balances | | | |
| Reserved for capital outlay | - | - | - |
| Reserved for debt service | - | - | 13,837 |
| Unreserved: | | | |
| Undesignated | 32,214 | 1,048 | - |
| Total Fund Balances | 32,214 | 1,048 | 13,837 |
| Total Liabilities and Fund Balances | \$ 43,341 | \$ 1,048 | \$ 17,306 |

| Debt Service | | | | Capital Projects Building and Site | Total |
|-----------------|------------------|------------------|------------------|---|-------------------|
| 1996 | 1999 | 2003 | 2005 | | |
| \$ 2,272 | \$ 8,135 | \$ 19,639 | \$ 45,101 | \$ 11,909 | \$ 124,317 |
| - | 7,339 | 14,874 | 15,921 | 3,172 | 44,775 |
| - | - | - | - | - | 1,015 |
| - | - | 10,376 | - | 1,157 | 21,588 |
| - | - | - | - | - | 4,551 |
| - | - | - | - | - | 5,344 |
| <u>\$ 2,272</u> | <u>\$ 15,474</u> | <u>\$ 44,889</u> | <u>\$ 61,022</u> | <u>\$ 16,238</u> | <u>\$ 201,590</u> |
| | | | | | |
| \$ 2,272 | \$ - | \$ - | \$ 1,157 | \$ - | \$ 6,881 |
| - | - | - | - | - | 7,675 |
| - | 7,339 | 14,874 | 15,921 | 3,172 | 44,775 |
| <u>2,272</u> | <u>7,339</u> | <u>14,874</u> | <u>17,078</u> | <u>3,172</u> | <u>59,331</u> |
| | | | | | |
| - | - | - | - | 13,066 | 13,066 |
| - | 8,135 | 30,015 | 43,944 | - | 95,931 |
| - | - | - | - | - | 33,262 |
| - | 8,135 | 30,015 | 43,944 | 13,066 | 142,259 |
| <u>\$ 2,272</u> | <u>\$ 15,474</u> | <u>\$ 44,889</u> | <u>\$ 61,022</u> | <u>\$ 16,238</u> | <u>\$ 201,590</u> |

COMSTOCK PARK PUBLIC SCHOOLS
Combining Schedule of Revenues, Expenditures and Changes in
Fund Balances - Nonmajor Governmental Funds
For the year ended June 30, 2007

| | Special Revenue | | |
|--|------------------|------------------|------------------|
| | Food Service | Athletics | 1993 |
| Revenues | | | |
| Local sources: | | | |
| Property taxes | \$ - | \$ - | \$ 276,245 |
| Interest earnings | 1,522 | 218 | 4,224 |
| Sales and admissions | 319,940 | 185,432 | - |
| Total local sources | 321,462 | 185,650 | 280,469 |
| State sources | 45,768 | - | - |
| Federal sources | 340,067 | - | - |
| Total Revenues | 707,297 | 185,650 | 280,469 |
| Expenditures | | | |
| Current: | | | |
| Food service | 686,885 | - | - |
| Athletics | - | 649,728 | - |
| Capital outlay | - | - | - |
| Debt service: | | | |
| Principal repayment | - | - | 1,000 |
| Interest and fiscal charges | - | - | 247,669 |
| Total Expenditures | 686,885 | 649,728 | 248,669 |
| Excess (Deficiency) of Revenues Over Expenditures | 20,412 | (464,078) | 31,800 |
| Other Financing Sources (Uses) | | | |
| Transfers in | - | 464,051 | - |
| Transfers out | - | - | - |
| Total Other Financing Sources (Uses) | - | 464,051 | - |
| Net Change in Fund Balances | 20,412 | (27) | 31,800 |
| Fund Balances, July 1 | 11,802 | 1,075 | (17,963) |
| Fund Balances, June 30 | \$ 32,214 | \$ 1,048 | \$ 13,837 |

| Debt Service | | | | Capital Projects Building and Site | Total |
|--------------|------------|--------------|--------------|---|--------------|
| 1996 | 1999 | 2003 | 2005 | | |
| \$ - | \$ 310,314 | \$ 1,246,638 | \$ 1,188,705 | \$ 369,919 | \$ 3,391,821 |
| - | 4,742 | 19,054 | 18,196 | 5,662 | 53,618 |
| - | - | - | - | - | 505,372 |
| - | 315,056 | 1,265,692 | 1,206,901 | 375,581 | 3,950,811 |
| - | - | - | - | - | 45,768 |
| - | - | - | - | - | 340,067 |
| - | 315,056 | 1,265,692 | 1,206,901 | 375,581 | 4,336,646 |
| - | - | - | - | - | 686,885 |
| - | - | - | - | - | 649,728 |
| - | - | - | - | 375,891 | 375,891 |
| - | 311,000 | 869,000 | 385,200 | - | 1,566,200 |
| - | 42,401 | 407,358 | 802,364 | - | 1,499,792 |
| - | 353,401 | 1,276,358 | 1,187,564 | 375,891 | 4,778,496 |
| - | (38,345) | (10,666) | 19,337 | (310) | (441,850) |
| - | - | 2,272 | - | - | 466,323 |
| (2,272) | - | - | - | - | (2,272) |
| (2,272) | - | 2,272 | - | - | 464,051 |
| (2,272) | (38,345) | (8,394) | 19,337 | (310) | 22,201 |
| 2,272 | 46,480 | 38,409 | 24,607 | 13,376 | 120,058 |
| \$ - | \$ 8,135 | \$ 30,015 | \$ 43,944 | \$ 13,066 | \$ 142,259 |

COMSTOCK PARK PUBLIC SCHOOLS
Food Service Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended June 30, 2007

| | Budget | Actual | Variance - Positive (Negative) |
|------------------------------------|------------------------|-------------------------|--------------------------------------|
| Revenues | | | |
| Local sources | \$ 308,900 | \$ 321,462 | \$ 12,562 |
| State sources | 25,020 | 45,768 | 20,748 |
| Federal sources | 273,000 | 340,067 | 67,067 |
| Total Revenues | <u>606,920</u> | <u>707,297</u> | <u>100,377</u> |
| Expenditures | | | |
| Current: | | | |
| Food service | <u>610,293</u> | <u>686,885</u> | <u>(76,592)</u> |
| Net Change in Fund Balances | <u>(3,373)</u> | <u>20,412</u> | <u>23,785</u> |
| Fund Balances, July 1 | <u>11,802</u> | <u>11,802</u> | <u>-</u> |
| Fund Balances, June 30 | <u><u>\$ 8,429</u></u> | <u><u>\$ 32,214</u></u> | <u><u>\$ 23,785</u></u> |

COMSTOCK PARK PUBLIC SCHOOLS
Athletics Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended June 30, 2007

| | Budget | Actual | Variance - Positive (Negative) |
|--|-----------|-----------|--------------------------------------|
| Revenues | | | |
| Local sources | 174,514 | 185,650 | \$ 11,136 |
| Expenditures | | | |
| Current: | | | |
| Athletics | 607,951 | 649,728 | (41,777) |
| Excess (Deficiency) of Revenues Over Expenditures | (433,437) | (464,078) | (30,641) |
| Other Financing Sources | | | |
| Transfers in | 433,436 | 464,051 | 30,615 |
| Net Change in Fund Balances | (1) | (27) | (26) |
| Fund Balances, July 1 | 1,075 | 1,075 | - |
| Fund Balances, June 30 | \$ 1,074 | \$ 1,048 | \$ (26) |

SPECIAL REVENUE FUNDS

Food Service—to account for monies received from food service activities and federal subsidies for use in administering the hot lunch program of the District.

Athletics—to account for activity receipts and General Fund contributions used in administering the athletic program of the District.

COMSTOCK PARK PUBLIC SCHOOLS
Food Service Special Revenue Fund
Comparative Balance Sheet
June 30, 2007 and 2006

| | <u>2007</u> | <u>2006</u> |
|--|-------------------------|-------------------------|
| Assets | | |
| Cash equivalents, deposits and investments | \$ 23,391 | \$ 1,085 |
| Due from other funds | 10,055 | 6,854 |
| Due from other governmental units | 4,551 | 3,955 |
| Inventory | <u>5,344</u> | <u>7,583</u> |
| Total Assets | <u><u>\$ 43,341</u></u> | <u><u>\$ 19,477</u></u> |
| Liabilities and Fund Balances | | |
| Liabilities | | |
| Due to other funds | \$ 3,452 | \$ - |
| Due to other governmental units | <u>7,675</u> | <u>7,675</u> |
| Total Liabilities | 11,127 | 7,675 |
| Fund Balances | | |
| Unreserved: | | |
| Undesignated | <u>32,214</u> | <u>11,802</u> |
| Total Liabilities and Fund Balances | <u><u>\$ 43,341</u></u> | <u><u>\$ 19,477</u></u> |

COMSTOCK PARK PUBLIC SCHOOLS
Food Service Special Revenue Fund
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances
For the years ended June 30, 2007 and 2006

| | <u>2007</u> | <u>2006</u> |
|------------------------------------|-------------------------|-------------------------|
| Revenues | | |
| Local sources: | | |
| Sales and admissions: | | |
| Children's lunches | \$ 226,141 | \$ 210,572 |
| Adult lunches | 12,920 | 5,881 |
| Milk sales | 8,136 | 6,368 |
| Ala carte | 64,067 | 70,840 |
| Banquets | 4,914 | 6,344 |
| Other | 3,762 | 58 |
| | <u>319,940</u> | <u>300,063</u> |
| Interest earnings: | | |
| Interest on deposits | 1,522 | 1,118 |
| Total local sources | <u>321,462</u> | <u>301,181</u> |
| State sources | 45,768 | 43,094 |
| Federal sources | <u>340,067</u> | <u>270,269</u> |
| Total Revenues | <u>707,297</u> | <u>614,544</u> |
| Expenditures | | |
| Current: | | |
| Food service: | | |
| Salaries | 174,881 | 135,537 |
| Employee benefits | 97,697 | 83,006 |
| Purchased services | 45,447 | 49,378 |
| Supplies | 359,415 | 320,789 |
| Capital outlay | 7,474 | 56,293 |
| Miscellaneous | 1,971 | 677 |
| | <u>686,885</u> | <u>645,680</u> |
| Total Expenditures | <u>686,885</u> | <u>645,680</u> |
| Net Change in Fund Balances | 20,412 | (31,136) |
| Fund Balances, July 1 | <u>11,802</u> | <u>42,938</u> |
| Fund Balances, June 30 | <u><u>\$ 32,214</u></u> | <u><u>\$ 11,802</u></u> |

COMSTOCK PARK PUBLIC SCHOOLS
Athletics Special Revenue Fund
Comparative Balance Sheet
June 30, 2007 and 2006

| | <u>2007</u> | <u>2006</u> |
|--|------------------------|------------------------|
| Assets | | |
| Cash equivalents, deposits and investments | \$ 33 | \$ 60 |
| Accounts receivable | <u>1,015</u> | <u>1,015</u> |
| Total Assets | <u><u>\$ 1,048</u></u> | <u><u>\$ 1,075</u></u> |
| Liabilities and Fund Balances | | |
| Liabilities | <u>\$ -</u> | <u>\$ -</u> |
| Fund Balances | | |
| Unreserved: | | |
| Undesignated | <u>1,048</u> | <u>1,075</u> |
| Total Liabilities and Fund Balances | <u><u>\$ 1,048</u></u> | <u><u>\$ 1,075</u></u> |

COMSTOCK PARK PUBLIC SCHOOLS
Athletics Special Revenue Fund
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances
For the years ended June 30, 2007 and 2006

| | <u>2007</u> | <u>2006</u> |
|--|------------------------|------------------------|
| Revenues | | |
| Local sources: | | |
| Sales and admissions: | | |
| Gate receipts | \$ 100,841 | \$ 119,927 |
| Sports fees and charges | 29,850 | 35,530 |
| Donations | 49,473 | 65,744 |
| Other | 5,268 | 4,519 |
| | <u>185,432</u> | <u>225,720</u> |
| Interest earnings: | | |
| Interest on deposits | <u>218</u> | <u>501</u> |
| Total Revenues | <u>185,650</u> | <u>226,221</u> |
| Expenditures | | |
| Current: | | |
| Athletics: | | |
| Salaries | 324,020 | 310,797 |
| Employee benefits | 101,913 | 86,108 |
| Purchased services | 53,580 | 55,811 |
| Supplies | 69,304 | 65,582 |
| Capital outlay | 41,768 | 31,229 |
| Miscellaneous | 59,143 | 66,278 |
| | <u>649,728</u> | <u>615,805</u> |
| Total Expenditures | <u>649,728</u> | <u>615,805</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>(464,078)</u> | <u>(389,584)</u> |
| Other Financing Sources | | |
| Transfers in | <u>464,051</u> | <u>389,644</u> |
| Net Change in Fund Balances | (27) | 60 |
| Fund Balances, July 1 | <u>1,075</u> | <u>1,015</u> |
| Fund Balances, June 30 | <u><u>\$ 1,048</u></u> | <u><u>\$ 1,075</u></u> |

DEBT SERVICE FUNDS

Debt Service Funds—To accumulate property tax revenues and interest earnings for repayment of the bond issues of the District used to finance new building construction projects.

COMSTOCK PARK PUBLIC SCHOOLS
Debt Service Funds
Combining Balance Sheet
June 30, 2007

| | <u>1993</u> | <u>1996</u> | <u>1999</u> | <u>2003</u> |
|--|-------------------------|------------------------|-------------------------|-------------------------|
| Assets | | | | |
| Cash equivalents, deposits and investments | \$ 13,837 | \$ 2,272 | \$ 8,135 | \$ 19,639 |
| Taxes receivable | 3,469 | - | 7,339 | 14,874 |
| Due from other funds | - | - | - | 10,376 |
| Due from other governmental units | - | - | - | - |
| Total Assets | <u><u>\$ 17,306</u></u> | <u><u>\$ 2,272</u></u> | <u><u>\$ 15,474</u></u> | <u><u>\$ 44,889</u></u> |
| Liabilities and Fund Balances | | | | |
| Liabilities | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ - |
| Due to other funds | - | 2,272 | - | - |
| Deferred revenue | 3,469 | - | 7,339 | 14,874 |
| Total Liabilities | <u>3,469</u> | <u>2,272</u> | <u>7,339</u> | <u>14,874</u> |
| Fund Balances | | | | |
| Reserved for debt service | <u>13,837</u> | <u>-</u> | <u>8,135</u> | <u>30,015</u> |
| Total Liabilities and Fund Balances | <u><u>\$ 17,306</u></u> | <u><u>\$ 2,272</u></u> | <u><u>\$ 15,474</u></u> | <u><u>\$ 44,889</u></u> |

| 2005 | Totals | |
|------------------|-------------------|-------------------|
| | 2007 | 2006 |
| \$ 45,101 | \$ 88,984 | \$ 138,352 |
| 15,921 | 41,603 | 52,885 |
| - | 10,376 | 147,671 |
| - | - | 20,244 |
| <u>\$ 61,022</u> | <u>\$ 140,963</u> | <u>\$ 359,152</u> |

| | | |
|------------------|-------------------|-------------------|
| \$ - | \$ - | \$ 72,895 |
| 1,157 | 3,429 | 139,567 |
| 15,921 | 41,603 | 52,885 |
| <u>17,078</u> | <u>45,032</u> | <u>265,347</u> |
| <u>43,944</u> | <u>95,931</u> | <u>93,805</u> |
| <u>\$ 61,022</u> | <u>\$ 140,963</u> | <u>\$ 359,152</u> |

COMSTOCK PARK PUBLIC SCHOOLS
Debt Service Funds
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
For the year ended June 30, 2007

| | 1993 | 1996 | 1999 | 2003 |
|--|------------------|----------------|-----------------|------------------|
| Revenues | | | | |
| Local sources: | | | | |
| Property taxes: | | | | |
| Current property taxes | \$ 270,326 | \$ - | \$ 303,446 | \$ 1,219,438 |
| Industrial facilities taxes | 4,471 | - | 5,019 | 20,170 |
| Delinquent property taxes | 209 | - | 287 | 1,171 |
| Other taxes | 406 | - | 608 | 2,064 |
| Interest on delinquent taxes | 833 | - | 954 | 3,795 |
| | <u>276,245</u> | <u>-</u> | <u>310,314</u> | <u>1,246,638</u> |
| Interest earnings: | | | | |
| Interest on deposits | <u>4,224</u> | <u>-</u> | <u>4,742</u> | <u>19,054</u> |
| Other local sources: | | | | |
| Refunds of prior years expenditures | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| State sources: | | | | |
| State school aid | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Revenues | <u>280,469</u> | <u>-</u> | <u>315,056</u> | <u>1,265,692</u> |
| Expenditures | | | | |
| Debt service: | | | | |
| Principal repayment | 1,000 | - | 311,000 | 869,000 |
| Interest and fiscal charges: | | | | |
| Interest expense | <u>247,669</u> | <u>-</u> | <u>42,401</u> | <u>407,358</u> |
| Total Expenditures | <u>248,669</u> | <u>-</u> | <u>353,401</u> | <u>1,276,358</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>31,800</u> | <u>-</u> | <u>(38,345)</u> | <u>(10,666)</u> |
| Other Financing Sources (Uses) | | | | |
| Loan proceeds | - | - | - | - |
| Transfers in | - | - | - | 2,272 |
| Transfers out | <u>-</u> | <u>(2,272)</u> | <u>-</u> | <u>-</u> |
| Total Other Financing Sources (Uses) | <u>-</u> | <u>(2,272)</u> | <u>-</u> | <u>2,272</u> |
| Net Change in Fund Balances | <u>31,800</u> | <u>(2,272)</u> | <u>(38,345)</u> | <u>(8,394)</u> |
| Fund Balances, July 1 | <u>(17,963)</u> | <u>2,272</u> | <u>46,480</u> | <u>38,409</u> |
| Fund Balances, June 30 | <u>\$ 13,837</u> | <u>\$ -</u> | <u>\$ 8,135</u> | <u>\$ 30,015</u> |

| 2005 | Totals | |
|--------------|--------------|--------------|
| | 2007 | 2006 |
| \$ 1,164,431 | \$ 2,957,641 | \$ 2,785,606 |
| 19,260 | 48,920 | 48,919 |
| 603 | 2,270 | 11,059 |
| 940 | 4,018 | 1,073 |
| 3,471 | 9,053 | 7,640 |
| 1,188,705 | 3,021,902 | 2,854,297 |
| 18,196 | 46,216 | 42,513 |
| - | - | 4,756 |
| - | - | 25,818 |
| 1,206,901 | 3,068,118 | 2,927,384 |
| 385,200 | 1,566,200 | 1,417,796 |
| 802,364 | 1,499,792 | 1,711,184 |
| 1,187,564 | 3,065,992 | 3,128,980 |
| 19,337 | 2,126 | (201,596) |
| - | - | 231,022 |
| - | 2,272 | 93,200 |
| - | (2,272) | (93,200) |
| - | - | 231,022 |
| 19,337 | 2,126 | 29,426 |
| 24,607 | 93,805 | 64,379 |
| \$ 43,944 | \$ 95,931 | \$ 93,805 |

CAPITAL PROJECTS FUND

Building and Site — to account for property tax revenues and interest earnings used to finance building restoration projects.

COMSTOCK PARK PUBLIC SCHOOLS
Building and Site Capital Projects Fund
Comparative Balance Sheet
June 30, 2007 and 2006

| | <u>2007</u> | <u>2006</u> |
|--|-------------------------|-------------------------|
| Assets | | |
| Cash equivalents, deposits and investments | \$ 11,909 | \$ 10,896 |
| Taxes receivable | 3,172 | 2,924 |
| Due from other funds | 1,157 | - |
| Due from other governmental units | <u>-</u> | <u>2,480</u> |
| Total Assets | <u><u>\$ 16,238</u></u> | <u><u>\$ 16,300</u></u> |
| Liabilities and Fund Balances | | |
| Liabilities | | |
| Deferred revenue | <u>\$ 3,172</u> | <u>\$ 2,924</u> |
| Fund Balances | | |
| Reserved for capital outlay | <u>13,066</u> | <u>13,376</u> |
| Total Liabilities and Fund Balances | <u><u>\$ 16,238</u></u> | <u><u>\$ 16,300</u></u> |

COMSTOCK PARK PUBLIC SCHOOLS
Building and Site Capital Projects Fund
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances
For the years ended June 30, 2007 and 2006

| | <u>2007</u> | <u>2006</u> |
|------------------------------------|-------------------------|-------------------------|
| Revenues | | |
| Local sources: | | |
| Property taxes: | | |
| Current property taxes | \$ 362,367 | \$ 341,283 |
| Industrial facilities taxes | 5,994 | 5,993 |
| Delinquent taxes | 208 | 89 |
| Other taxes | 270 | 38 |
| Interest on delinquent taxes | <u>1,080</u> | <u>705</u> |
| | 369,919 | 348,108 |
| Interest earnings: | | |
| Interest on deposits | <u>5,662</u> | <u>5,160</u> |
| Total Revenues | <u>375,581</u> | <u>353,268</u> |
| Expenditures | | |
| Capital outlay: | | |
| Buildings and additions | <u>375,891</u> | <u>339,892</u> |
| Net Change in Fund Balances | (310) | 13,376 |
| Fund Balances, July 1 | <u>13,376</u> | <u>-</u> |
| Fund Balances, June 30 | <u><u>\$ 13,066</u></u> | <u><u>\$ 13,376</u></u> |

AGENCY FUND

Student Activities—to account for the collection and disbursements of monies used by the school activity clubs and groups.

COMSTOCK PARK PUBLIC SCHOOLS
Student Activities Agency Fund
Statement of Changes in Assets and Liabilities
For the year ended June 30, 2007

| | <u>Balances</u> <u>June 30, 2006</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balances</u> <u>June 30, 2007</u> |
|--|---|-------------------|-------------------|---|
| Assets | | | | |
| Cash equivalents, deposits and investments | <u>\$ 184,609</u> | <u>\$ 649,775</u> | <u>\$ 649,349</u> | <u>\$ 185,035</u> |
| Liabilities | | | | |
| Due to student groups | <u>\$ 184,609</u> | <u>\$ 649,775</u> | <u>\$ 649,349</u> | <u>\$ 185,035</u> |

OTHER INFORMATION

COMSTOCK PARK PUBLIC SCHOOLS
Summary of 2006 Taxes Levied and Collected
For the year ended June 30, 2007

| | Kent County | | | |
|-------------------------------------|------------------|------------------|----------------|------------------|
| | Townships of | | City of | |
| | Alpine | Plainfield | Walker | Total |
| Taxable Valuations | | | | |
| Operating | \$ 58,996,490 | \$ 71,959,119 | \$ 4,883,882 | \$135,839,491 |
| Debt Service | 147,453,009 | 203,779,477 | 11,593,619 | 362,826,105 |
| Rates (Mills) | | | | |
| General Fund | | | | 18.0000 |
| 1993 Debt Service Fund | | | | 0.7460 |
| 1999 Debt Service Fund | | | | 0.8373 |
| 2003 Debt Service Fund | | | | 3.3653 |
| 2005 Debt Service Fund | | | | 3.2135 |
| Building and Site Fund | | | | 1.0000 |
| | | | | <u>27.1621</u> |
| Taxes Levied 2006 Rolls | | | | |
| General Fund | \$ 1,053,561 | \$ 1,295,262 | \$ 87,910 | \$ 2,436,733 |
| 1993 Debt Service Fund | 109,999 | 152,019 | 8,649 | 270,667 |
| 1999 Debt Service Fund | 123,476 | 170,644 | 9,708 | 303,828 |
| 2003 Debt Service Fund | 496,205 | 685,754 | 39,015 | 1,220,974 |
| 2005 Debt Service Fund | 473,822 | 654,821 | 37,255 | 1,165,898 |
| Building and Site Fund | 147,452 | 203,778 | 11,593 | 362,823 |
| | <u>2,404,515</u> | <u>3,162,278</u> | <u>194,130</u> | <u>5,760,923</u> |
| Taxes Uncollected 2006 Rolls | | | | |
| General Fund | 607 | 7,444 | - | 8,051 |
| 1993 Debt Service Fund | 23 | 318 | - | 341 |
| 1999 Debt Service Fund | 25 | 357 | - | 382 |
| 2003 Debt Service Fund | 102 | 1,434 | - | 1,536 |
| 2005 Debt Service Fund | 98 | 1,369 | - | 1,467 |
| Building and Site Fund | 30 | 426 | - | 456 |
| | <u>885</u> | <u>11,348</u> | <u>-</u> | <u>12,233</u> |
| Taxes Collected 2006 Rolls | | | | |
| General Fund | 1,052,954 | 1,287,818 | 87,910 | 2,428,682 |
| 1993 Debt Service Fund | 109,976 | 151,701 | 8,649 | 270,326 |
| 1999 Debt Service Fund | 123,451 | 170,287 | 9,708 | 303,446 |
| 2003 Debt Service Fund | 496,103 | 684,320 | 39,015 | 1,219,438 |
| 2005 Debt Service Fund | 473,724 | 653,452 | 37,255 | 1,164,431 |
| Building and Site Fund | 147,422 | 203,352 | 11,593 | 362,367 |
| | <u>2,403,630</u> | <u>3,150,930</u> | <u>194,130</u> | <u>5,748,690</u> |
| Delinquent Taxes Collected | | | | |
| General Fund | 1,157 | 6,233 | - | 7,390 |
| 1993 Debt Service Fund | 50 | 159 | - | 209 |
| 1999 Debt Service Fund | 63 | 224 | - | 287 |
| 2003 Debt Service Fund | 251 | 920 | - | 1,171 |
| 2005 Debt Service Fund | 124 | 479 | - | 603 |
| Building and Site Fund | 59 | 149 | - | 208 |
| | <u>1,704</u> | <u>8,164</u> | <u>-</u> | <u>9,868</u> |

(Continued)

COMSTOCK PARK PUBLIC SCHOOLS
Summary of 2006 Taxes Levied and Collected
For the year ended June 30, 2007

| | Kent County | | | |
|--|---------------------|---------------------|-------------------|---------------------|
| | Townships of | | City of | |
| | Alpine | Plainfield | Walker | Total |
| Total Taxes Collected | | | | |
| General Fund | 1,054,111 | 1,294,051 | 87,910 | 2,436,072 |
| 1993 Debt Service Fund | 110,026 | 151,860 | 8,649 | 270,535 |
| 1999 Debt Service Fund | 123,702 | 171,207 | 9,708 | 304,617 |
| 2003 Debt Service Fund | 496,162 | 684,469 | 39,015 | 1,219,646 |
| 2005 Debt Service Fund | 473,724 | 653,452 | 37,255 | 1,164,431 |
| Building and Site Fund | 147,422 | 203,352 | 11,593 | 362,367 |
| | <u>\$ 2,405,147</u> | <u>\$ 3,158,391</u> | <u>\$ 194,130</u> | <u>\$ 5,757,668</u> |
| Taxes Uncollected – June 30, 2007 | | | | |
| General Fund: | | | | |
| 2006 | \$ 607 | \$ 7,444 | \$ - | \$ 8,051 |
| 2005 | 222 | 43,762 | 2,087 | 46,071 |
| 2004 | 9 | 31,884 | 3,686 | 35,579 |
| | <u>838</u> | <u>83,090</u> | <u>5,773</u> | <u>89,701</u> |
| 1993 Debt Service Fund: | | | | |
| 2006 | 23 | 318 | - | 341 |
| 2005 | 5 | 1,842 | 83 | 1,930 |
| 2004 | - | 1,067 | 131 | 1,198 |
| | <u>28</u> | <u>3,227</u> | <u>214</u> | <u>3,469</u> |
| 1999 Debt Service Fund: | | | | |
| 2006 | 25 | 357 | - | 382 |
| 2005 | 4 | 1,995 | 90 | 2,089 |
| 2004 | 44 | 4,404 | 420 | 4,868 |
| | <u>73</u> | <u>6,756</u> | <u>510</u> | <u>7,339</u> |
| 2003 Debt Service Fund: | | | | |
| 2006 | 102 | 1,434 | - | 1,536 |
| 2005 | 21 | 8,539 | 383 | 8,943 |
| 2004 | - | 3,720 | 675 | 4,395 |
| | <u>123</u> | <u>13,693</u> | <u>1,058</u> | <u>14,874</u> |
| 2005 Debt Service Fund: | | | | |
| 2006 | 98 | 1,369 | - | 1,467 |
| 2005 | 106 | 8,746 | 390 | 9,242 |
| 2004 | 60 | 4,707 | 445 | 5,212 |
| | <u>264</u> | <u>14,822</u> | <u>835</u> | <u>15,921</u> |
| Building and Site Fund: | | | | |
| 2006 | 30 | 426 | - | 456 |
| 2005 | 10 | 2,590 | 116 | 2,716 |
| | <u>40</u> | <u>3,016</u> | <u>116</u> | <u>3,172</u> |
| Total Taxes Uncollected | <u>\$ 1,366</u> | <u>\$ 124,604</u> | <u>\$ 8,506</u> | <u>\$ 134,476</u> |

Hungerford, Aldrin,
Nichols & Carter, P.C.

C P A s A N D C O N S U L T A N T S

November 9, 2007

The Board of Education
Comstock Park Public Schools
Kent County, Michigan

The following comments pertain to our audit of the financial records of Comstock Park Public Schools as of and for the year ended June 30, 2007. The comments are made in accordance with Statement on Auditing Standards No. 61 "Communication With Audit Committees" which requires that in certain audits, certain matters are to be communicated to those who have responsibility for oversight of the financial reporting process. The communications required by this statement, if pertinent to the examination, are as follows:

1. Auditor's Responsibility Under Generally Accepted Auditing Standards.
2. Significant Accounting Policies.
3. Management Judgments and Accounting Estimates.
4. Significant Audit Adjustments.
5. Other Information in Documents Containing Audited Financial Statements.
6. Disagreements With Management.
7. Consultation With Other Accountants.
8. Major Issues Discussed With Management Prior to Retention.
9. Difficulties Encountered in Performing the Audit.
10. Uncorrected Misstatements (Passed Audit Adjustments).

The communications specified by this Statement are incidental to the audit and are not required to occur before, nor do they affect, our auditor's report on the District's financial statements.

The following are the matters to be communicated by SAS No. 61 based on our observations during the course of our audit of the financial statements and our review and evaluation of the internal control system of Comstock Park Public Schools:

Auditors Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

In planning and performing our audit, we considered Comstock Park Public School's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether Comstock Park Public School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about Comstock Park Public School's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on Comstock Park Public School's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on Comstock Park Public School's compliance with those requirements.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Comstock Park Public Schools are described in Note A to the financial statements.

Difficulties Encountered In Performing The Audit

We encountered certain difficulties in performing the audit of the financial statements of Comstock Park Public Schools for the year ended June 30, 2007. We were required to make a significant number of adjusting journal entries in the areas of year-end receivables/payables, inter-fund transactions and property tax revenues to adjust District financial records to the amounts presented in the Comprehensive Annual Financial Report.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. During the course of our audit the following adjustments of a significant nature were made to the accounting records of the District to bring the balances to those presented in the financial statements:

General Fund

1. \$8,051 and \$26,338 to record and write off current and prior year delinquent personal property taxes receivable at June 30, 2007, and \$73,684 to classify 2006 property tax collections to the proper revenue accounts..
2. \$30,289 to classify inter-fund transactions with the Athletic Fund to the proper accounts.
3. \$32,644 to adjust the account receivable from KISD for the IDEA grant program to actual at June 30, 2007.
4. \$24,950 to classify interest expense paid on the state aid anticipation loans to the proper accounts.
5. \$80,071 to reverse accounts payable to KISD for special education itinerants accrued at June 30, 2006.
6. \$1,091,327 to classify payments to other school districts to the proper expenditure accounts per new MDE requirements.

Food Service Fund

1. \$32,137 to record federal bonus and entitlement commodities received during the year.

Debt Service Funds

1. \$3,726 and \$12,802 to record and write off current and prior year delinquent personal property taxes receivable at June 30, 2007, and \$80,744 to classify 2006 property tax collections to the proper revenue accounts.

Building and Site Fund

1. \$456 to record current year delinquent personal property taxes receivable at June 30, 2007, and \$31,790 to classify 2006 property tax collections to the proper revenue accounts.

Proposed Audit Adjustments

There were no material adjustments proposed during the audit not recorded by Comstock Park Public Schools.

Suggestions And Recommendations

We offered suggestions and recommendations regarding the day-to-day operations of the accounting system of Comstock Park Public Schools to the Business Manager as the topics arose during the course of our audit fieldwork. Hopefully, these suggestions will ease the day-to-day operations of the business office and assist in more efficient monthly and year-end financial record keeping and reporting. Other suggestions that merit discussion in this letter are as follows:

- All balance sheet accounts (for all funds) should be reconciled by District accounting personnel, and reviewed by the Business Manager, on a monthly basis in a timely manner. Reviewing revenues and expenditures compared to the budget is not enough to insure that all transactions are being recorded, and that they are being recorded properly.
- Actual to budget reports should be monitored on a regular (at least quarterly) basis to insure that the District is maintaining compliance with currently adopted (or amended) budgets. This is essential in order to be able to end the year with actual balances that correspond closely to updated budgeted balances.

In the fall of 2006, the AICPA issued Statement on Auditing Standards No. 112 “*Communicating Internal Control Related Matters Identified in and Audit*”, which requires a written communication from an auditor to an organization’s governing board if any weaknesses in internal controls (“control deficiencies”) rise to the level of “significant deficiencies” or “material weaknesses” that might effect the integrity of the financial statements. The AICPA significantly broadened the standards as to what might be a significant deficiency and/or material weakness and raised the expectations of auditors to report these control deficiencies, if found. We did observe certain control deficiencies in areas of the District’s internal control during the course of our audit that we determined to be significant deficiencies or material weaknesses, which have been detailed in a separate letter to the Board of Education. The following recommendations relate to our internal control findings:

- The District should re-align duties and establish review functions within the business office (bank reconciliations, payroll operations, purchase order/invoice approval, financial statements, etc.) and outside of the business office (athletics, food service, student activities, preschool) in order to overcome the control deficiencies of a *lack of segregation of duties* and *monitoring* of control activities that currently exist.
- The District should establish, and *document* a uniform set of accounting policies and procedures that are designed to be applied consistently throughout the District; this will increase the efficiency and accountability of the accounting and record keeping process and strengthen the internal control system of the District.
- We encourage the District to support the Business Manager, and other business office personnel in *furthering their education in the area of governmental accounting and financial statement preparation* requirements to achieve and maintain compliance with current GAAP and GASB standards. These are complex and constantly changing requirements that continue to increase and undergo significant modifications.

Our audit this year was again completed under the requirements of Statement on Auditing Standards No. 99 "Consideration of Fraud in a Financial Statement Audit" (SAS No. 99), which requires both auditors and their clients to more directly and openly assess those areas within a school district that might be susceptible to fraudulent activity, which would normally include those areas outside the central office that handle cash, inventory, supplies, etc. This is an important audit standard that requires increased face-to-face discussions/interviews with client personnel and extensive documentation of our findings for future reference. We found that Comstock Park Public Schools has a very extensive network of internal controls within its accounting and record keeping system, and found those tested this year to be operating in the manner intended. Working with District business office personnel, we will be testing other control areas each year as a part of our audit, with suggestions and recommendations to follow the testing each year, to assist the District in maintaining and improving its systems.

Other Comments

The General Fund balance of the District decreased by \$411,272 to \$866,659 at June 30, 2007. This new balance represents 4.1 percent of the District's 2007-08 expenditure budget (down from 6.21 percent at June 30, 2006). Maintaining a fund balance of at least 10 to 20 percent of the ensuing year's expenditure budget is advisable for Comstock Park Public Schools. This gives the District more stable operating funds during the year, helps avoid or reduce the necessity of borrowing for short-term cash flow purposes and acts as a buffer against the uncertainty of state aid revenues accruing to the District. In addition, employee benefit costs are expected to increase significantly in the next few years, which will require the use of fund balance reserves considering the expectation of small (or no) growth in state aid revenues.

This communication is intended solely for the information and use of the Comstock Park Public School's Board of Education, administration and others within the organization. We have furnished a copy of this letter to the Michigan Department of Education as an enclosure with the audit report as required by the State of Michigan.

We appreciate the opportunity to provide financial auditing and advisory services to Comstock Park Public Schools and hope to continue to do so in the future. We also appreciate the dedication and cooperation of the District's administration and accounting personnel in performing their functions and in assisting us in completing ours. If there are any questions regarding the audit report, or the attached communications, we will be happy to address them.

Hungerford, Aldrin, Nichols & Carter, P.C.

Certified Public Accountants

Hungerford, Aldrin,
Nichols & Carter, P.C.
CPAs AND CONSULTANTS

November 9, 2007

The Board of Education
Comstock Park Public Schools
Kent County, Michigan

The following comments pertain to our audit of the financial records of Comstock Park Public Schools as of and for the year ended June 30, 2007. The comments are made in accordance with Statement on Auditing Standards No. 112 "*Communicating Internal Control Related Matters Identified in an Audit*" which has the following two unconditional requirements:

- The auditor must evaluate identified *control deficiencies* and determine whether those deficiencies, individually or in combination, are *significant deficiencies* or *material weaknesses*.
- The auditor *must communicate, in writing, significant deficiencies and material weaknesses* to management and those charged with governance. This communication includes significant deficiencies and material weaknesses identified and communicated to management and those charged with governance in prior audits but not yet remediated.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is *more than a remote likelihood* that a misstatement of the entity's financial statements that is *more than inconsequential* will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in *more than a remote likelihood* that a *material misstatement of the financial statements* will not be prevented or detected by the entity's internal control. We believe that the following deficiency constitutes a material weakness:

The following describe circumstances that may be control deficiencies, significant deficiencies, or material weaknesses:

- Inadequate *design* of internal control over a significant account or process.
- Inadequate *documentation* of the components of internal control.
- Insufficient *control consciousness* within the organization, for example, the tone at the top and the control environment.
- Inadequate or absent *segregation of duties* within a significant account or process.
- Inadequate design of *information technology* (IT) general and application controls.
- Inadequate design of *monitoring* controls used to assess the design and operating effectiveness of internal controls.
- The absence of an internal process to *report deficiencies* in internal controls to management on a timely basis.
- Employees or management who *lack the knowledge and training* to fulfill their assigned functions. For example, in an entity that prepares financial statements in accordance with Generally Accepted Accounting Principles (GAAP) and Governmental Accounting Standards Board (GASB) requirements, the person responsible for the accounting and reporting function lacks the level of skills and knowledge necessary to apply GAAP and GASB standards in recording the entity's financial transactions or *preparing its financial statements* (including the notes to basic financial statements).

The management of Comstock Park Public Schools is responsible for establishing and maintaining internal control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control. The objectives of internal control are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in internal control, errors or fraud may nevertheless occur and not be detected. Also, projection of any evaluation of internal control to future periods is subject to the risk that controls may become inadequate because of changes in conditions or that the effectiveness of the design and operation of controls may deteriorate.

In planning and performing our audit of the financial statements of Comstock Park Public Schools as of and for the year ended June 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered Comstock Park Public School's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the organization's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

- Inadequate *documentation* of the components internal control.
- Inadequate *segregation of duties* in the District business office, which leads to a lack of independent monitoring of the accounting functions of the District Business Manager.
- Inadequate design of *monitoring controls* both inside (payroll) and outside (athletics, food service, student activities, preschool) the District business office.
- District personnel who lack the knowledge and training to fulfill certain required functions:
 1. The *lack of knowledge and skills* present to apply Generally Accepted Accounting Principles (GAAP) and Governmental Accounting Standards Board (GASB) requirements in recording the District's financial transactions or preparing its financial statements (including the notes to basic financial statements) in compliance with current GAAP and GASB requirements.

This communication is intended solely for the information and use of management, the Board of Education, others within the organization, and the Michigan Department of Treasury. It is not intended to be and should not be used by anyone other than these specified parties.

Hungerford, Aldain, Nichols & Austin, P.C.

Certified Public Accountants